MINNESOTA HOUSING

MEETINGS SCHEDULED FOR JUNE

Minnesota Housing
400 Wabasha Street N. Suite 400
St. Paul, MN 55102

THURSDAY, JUNE 20, 2019

Regular Board Meeting
1:00 p.m.

Lake Superior Conference Room- Fourth Floor

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, June 20, 2019.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

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MINNESOTA HOUSING

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AGENDA
Minnesota Housing Board Meeting
Thursday June 20, 2019
1:00 p.m.

1. **Call to Order**
2. **Roll Call**
3. **Agenda Review**
4. **Approval of Minutes**
   A. (page 5) Regular Meeting of May 23, 2019
5. **Reports**
   A. **Chair**
   B. **Commissioner**
   C. **Committee**
6. **Consent Agenda**
   A. (page 9) Grant Contract Modification, Impact Fund Award, Urban Homeworks, Inc.
7. **Action Items**
   A. (page 11) Approval, Tribal Consultation Policy
   B. (page 15) Approval of Amended 2020 Qualified Allocation Plan
8. **Discussion Items**
   A. (page 137) 2019 Legislative Update
   B. (page 145) Serving Communities Most Impacted
9. **Information Items**
   A. (page 163) Post-sale report for HFB 2019 Series CD
10. **Other Business**
    None.
11. **Adjournment**

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DRAFT Minutes
Minnesota Housing Board Meeting
Thursday May 23, 2019
1:00 p.m.

1. **Call to Order.**
   Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance agency at 1:02 p.m.
2. **Roll Call.**
   Members Present: Julie Blaha, Terri Thao, Joe Johnson, Stephanie Klinzing, John DeCramer, and Craig Klausing
   Minnesota Housing Staff present:, Tal Anderson, Miles Artis, Ryan Baumtrog, Kevin Carpenter, Erin Coons, Jessica Deegan, Rachel Franco, Brian Haefner, Anne Heitlinger, Darryl Henchen, Jennifer Ho, Kasey Kier, Dan Kitzberger, Tresa Larkin, Debbi Larson, Song Lee, James Lehnhoff, Nira Ly, Sarah Matala, Eric Mattson, Merideth Mayrand, Shannon Myers, Tom O'Hern, Henry Partker, John Patterson, Devon Pohlman, William Price, Paula Rindels, Rachel Robinson, Megan Ryan, Dani Salus, Joel Salzer, Terry Schwartz, Anne Smetak, Kim Stuart, Susan Thompson, Mike Thone, and Kristy Zack.
   Others present: Ramona Advani, Office of the Minnesota State Auditor; Andy Birkey, Minnesota Housing Partnership; Chip Halbach, Dominium; Cory Hoeppner, RBC; Jean Lee, APAHC, CHI,RRFC; Rhonda Skoby, Dorsey
3. **Agenda Review**
   None.
4. **Approval of Minutes**
   A. **Regular Meeting of April 25, 2019**
   Motion: Julie Blaha moved to approve the April 25, 2019 minutes. Seconded by Joe Johnson. Motion carries 6-0.
5. **Reports**
   A. **Chair**
   None.
   B. **Commissioner**
   Commissioner Ho shared the following with the board:
   - Very active in board recruitment, will have an update in June
   - Servant leadership and emotional intelligence is a priority for the Administration. Our management staff has participated in trainings offered by MMB.
   - Legislative update- $10 million added to our base, $5 million in one-time funding. We will be doing Challenge with the one time money, strong appropriations in the homelessness side. Bonding was in play and the bonding discussion is still being worked out.
   - We have a new appraisal policy in this RFP round.
   - We received 79 intent to apply notifications earlier this week for the RFP. 34 in greater Minnesota, 45 in metro area.
   - Hosted the Moody's Rating Agency visit earlier this week
   - Upcoming Tribal visits in early June

   New Employee Introductions:
   - Joel Salzer introduced Meridith Mayrand, Homeless Grants and Administrative Support Coordinator, Multifamily.
   - John Patterson introduced Henry Parker, Research Intern, and Myles Artis, Planning, Research and Evaluation Urban Scholar intern for the planning team.

   C. **Committee**

None.

6. **Consent Agenda**
   A. **Grant Contract Modification, Impact Fund Award, Northside Home LLC**
   B. **Grant Contract Modification, Impact Fund, Northcountry Cooperative Foundation**
   C. **Approval of Assumption of Low and Moderate Income Rental (LMIR) Loan**
      - **Guardian Angels Apartments, Hastings, MN D2914**
   D. **Approval, Grant Extensions and Additional Funding, Housing Trust Fund (HTF) Rental Assistance**

   Motion: Stephanie Klinzing moved to approve the Consent Agenda Items. Seconded by Terri Thao. Motion carries 6-0.

7. **Action Items**
   A. **Annual Action Plan for FFY 2019**
   Jessica Deegan presented to the board a request for approval of the State of Minnesota's Annual Action Plan for Federal Fiscal Year 2019. Chair DeCramer opened up the discussion. Board members had a series of questions and staff provided answers. **Motion:** Terri Thao moved Approval, Annual Action Plan for FFY 2019 Seconded by Joe Johnson. Motion carries 6-0.
   B. **Selection, Approval Rental Rehabilitation Deferred Loan (RRDL)- Waverly Community Homes, Waverly, MN D2949**
   Dani Salus presented to the board a request for approval of a resolution authorizing selection and approval of a Rental Rehabilitation Deferred Loan (RRDL) in an amount up to $300,000. This includes a request to waive the requirement to structure the RRDL as an End Loan and to waive the requirement to structure the RRDL with a 30-year term as outlined in the terms and conditions of Minnesota Housing's Rental Rehabilitation Deferred Loan Pilot (RRDL) Program Guide. Chair DeCramer opened up the discussion. Chair DeCramer inquired on the energy efficiency rebates, and whether or not owners are able to take advantage of the rebates from the energy companies. Ms. Salus indicated that we do recommend that owners inquire on the eligibility to receive a rebate. **Motion:** Stephanie Klinzing moved Selection, Approval Rental Rehabilitation Deferred Loan (RRDL) - Waverly Community Homes, Waverly, MN D2949. Seconded by Terri Thao. Motion carries 6-0.
   C. **Manufactured Home Loan Commitment, Sungold Heights**
   Tresa Larkin and Rachel Robinson presented to the board a request for approval and authorization for a deferred loan commitment to finance infrastructure improvements for Sungold Heights, a manufactured home community in Worthington, MN. Chair DeCramer opened up the discussion. Board members asked a series of questions and staff provided answers. **Motion:** Terri Thao moved Approval, Manufactured Home Loan Commitment, Sungold Heights Seconded by Julie Blaha. Motion carries 6-0.

8. **Discussion Items**
   A. **Summary of 2019 Legislative Session**
   Commissioner Ho provided an update of the Legislative session in her Commissioner update.
   B. **3rd Quarter FY 2019 Financial Reporting Package**
   Kevin Carpenter reviewed the financials with the board.
   C. **Strategy Discussion: Housing Market**
   John Patterson reviewed a power point presentation highlighting the strategy discussion around the housing market.

D. **2019 Affordable Housing Plan and the 2016-19 Strategic Plan: Second Quarter Progress Report**

John Patterson provided the board with an update on the progress of the Affordable Housing and Strategic Plans.

9. Information Items

None.

10. Other Business

None.

11. Adjournment

The meeting was adjourned at 2:40 p.m.

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John DeCramer, Chair

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MINNESOTA HOUSING

Board Agenda Item: 6.A
Date: 6/20/2019

Item: Grant Contract Modification, Impact Fund Award, Urban Homeworks, Inc.

Staff Contact(s):
Song Lee, 651.296.2291, song.lee.mhfa@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
Staff requests approval to add new construction as an eligible activity to Urban Homeworks, Inc.'s 2017 Impact Fund award (10-2017-31) and reduce the total awarded grant funds from $280,000 to $175,000.

Fiscal Impact:
Challenge is a state resource, with individual awards structured as grants or loans that do not earn interest for the Agency.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Background
- Grant Contract Modification

Background

The Community Homeownership Impact Fund (Impact Fund) provides funding for new construction, acquisition, rehabilitation, resale, affordability gap, and owner-occupied rehabilitation of homeownership housing units through the annual Single Family Request for Proposals (SF RFP).

Urban Homeworks, Inc. is a nonprofit organization that develops homes in Minneapolis and Saint Paul.

In October 2017, the Board approved $280,000 in Economic Development Housing Challenge (Challenge) grant funds for Urban Homeworks to acquire, rehabilitate, and resell eight single family homes in North Minneapolis.

Grant Contract Modification

Urban Homeworks requested to expand their eligible housing activity to include new construction. The current eligible activity is limited to acquisition, rehabilitation, and resale. First, the number of homes available for purchase in North Minneapolis has decreased since Urban Homeworks applied in 2017. Second, the total costs have increased. Home prices are higher now and homes available for purchase at a reasonable price require substantial rehabilitation that is cost prohibitive. Finally, there are many vacant lots in North Minneapolis that need to be developed. Urban Homeworks has already identified three vacant lots it intends to develop and has additional lots that they own and are ready for immediate development. Expanding the eligible activity to include the new construction activity will allow Urban Homeworks to better meet the needs of the community.

If approved, the modification will reduce the grant from $280,000 for eight units for acquisition, rehabilitation and resale to $175,000 for five units for acquisition, rehabilitation, resale and new construction. $105,000 in grant funds will be returned to the Challenge fund to be reallocated.

MINNESOTA HOUSING

Board Agenda Item: 7.A
Date: 6/20/2019

Item: Approval of Updated Tribal Consultation Policy

Staff Contact(s):
Rachel Robinson, 651.297.3125, rachel.robinson@state.mn.us
Ryan Baumtrog, 651.296.9820, ryan.baumtrog@state.mn.us

Request Type:

☒ Approval	☐ No Action Needed
☒ Motion	☐ Discussion
☐ Resolution	☐ Information

Summary of Request:
Request approval of a proposed update to the Agency's Tribal Consultation Policy.

Fiscal Impact:
None

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
Background
Updated Tribal Consultation Policy

Background
Staff requests approval of a proposed update to the Tribal Consultation Policy.

On April 4, 2019, Governor Tim Walz issued Executive Order 19-24, which affirms the government-to-government relationship between the state of Minnesota and the eleven federally recognized Minnesota Tribal Nations. The new executive order provides that by June 30, 2019, all state agencies will, in consultation with Tribal Nations, have implemented Tribal Consultation Policies to guide their work and interactions with Tribal Nations.

Minnesota Housing has an existing Tribal Consultation Policy, which was developed in consultation with Tribal Nations and is used to guide the Agency's work. The Tribal Consultation Policy was last approved by the Board in February of 2014.

In light of the new Executive Order, the Tribal Consultation Policy has been reviewed by Agency leadership, including the Agency's Tribal Liaison, and updated accordingly. If the updated policy is approved by the Board it will be submitted to the Office of the Governor and Lieutenant Governor by the end of June.

MINNESOTA HOUSING

Government-to-Government Tribal Nations Consultation Policy

Draft policy to be reviewed by Board June 20, 2019

Introduction

On April 4, 2019, Governor Tim Walz issued Executive Order 19-24 affirming the government-to-government relationship between the state of Minnesota and the eleven federally recognized Minnesota Tribal Nations. This was a revision to a 2013 Executive Order (13-10), which was issued by the previous administration.

Among other things, Executive Order 19-24 directs agencies to do the following:

- Consult with Minnesota Tribal Nations to develop and implement tribal consultation policies;
- Annually consult with each Minnesota Tribal Nation to identify priority issues to proactively engage Minnesota Tribal Nations in the agencies' development of legislative and fiscal proposals;
- Develop and maintain ongoing consultation related to each area where the agency's work intersects with Minnesota Tribal Nations;
- Consider the input generated from tribal consultation into the agency's decision-making process, with the goal of achieving mutually beneficial solutions;
- Designate a Tribal Liaison to assume responsibility for implementing the tribal consultation policy and to serve as the principal point of contact for the tribes; and
- Provide training for Commissioners, Deputy Commissioners, Assistant Commissioners and agency employees whose work impacts Minnesota Tribal Nations.

Minnesota Housing Policy Statement

Minnesota Housing will continue its long-standing positive government-to-government relationship and consultation with Minnesota Tribal Nations in order to provide affordable housing to the American Indian citizens of the state.

Minnesota will fully comply with the Executive Order and will also employ the following principles when conducting its business activities:

- Acknowledgement of the unique relationship between the federal government, state government and Tribal Nations;
- Commitment to a government-to-government relationship with all federally recognized Minnesota Tribal Nations;
- Recognition of individual Tribal Nations as the appropriate party for making Tribal Nation housing policy decisions and managing housing programs on tribal land;
- Maintaining effective partnerships with Tribal Nations on affordable housing development; and
- Being aware of the effect of Agency policies and programs on affordable housing on tribal lands.

Minnesota Housing Responsibilities

The Commissioner is authorized to implement this policy and to delegate, as necessary, responsibilities to Minnesota Housing staff. The Commissioner shall serve as the lead responsible official for the implementation of this policy, and shall designate an employee to be the Minnesota Housing Indian Housing Liaison who will serve as the principal point of contact for consultation with Tribal Nations. The Commissioner shall form an Intra-Agency Advisory Team to advise the Commissioner and the Indian Housing Liaison on issues relative to this policy. At a minimum, the Intra-Agency Advisory Team shall consist of staff from the Single Family, Multifamily, Legal and Policy and Community Development divisions and shall meet quarterly, or more often as needed. Minnesota Housing shall provide training for designated staff who work with the tribal nations.

Implementation Guidelines

Based on a government-to-government relationship and in recognition of the uniqueness of each of the eleven Minnesota Tribal Nations, the primary focus for consultation activities will be with individual Tribal Nations. The Commissioner may also encourage the creation of, and participation in, regional tribal committees and organizations to more informally discuss issues regarding existing and new housing development on tribal lands. A Tribal Nation or combination of Tribal Nations may at any time request consultation with Minnesota Housing.

As part of its ongoing consultation and information sharing objectives, Minnesota Housing shall perform the following activities:

- One or more Minnesota Housing staff shall annually visit a select number of Tribal Nations to view the housing on tribal land and to discuss current and future housing partnerships; and
- The Indian Housing Liaison shall, at a minimum, visit and consult with any and all program partnership interested Tribal Nation(s) on a quarterly basis in person and/or via electronic communication regarding affordable housing issues.

MINNESOTA HOUSING

Board Agenda Item: 7.B
Date: 6/20/2019

Item: Approval of Amended 2020 Qualified Allocation Plan

Staff Contact(s):
Thomas O'Hern, 651.296.9796, tom.ohern@state.mn.us

Request Type:

☒ Approval
- ☒ Motion
- ☐ Resolution

☐ No Action Needed
- ☐ Discussion
- ☐ Information

Summary of Request:
Request approval of the amended 2020 QAP to incorporate statutory language related to 4% federal low income housing tax credits.

Fiscal Impact:
None

Meeting Agency Priorities:
- ☐ Address Specific and Critical Local Housing Needs
- ☐ Finance Housing Responsive to Minnesota's Changing Demographics
- ☐ Preserve Housing with Federal Project-Based Rent Assistance
- ☐ Prevent and End Homelessness
- ☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
Background

Background

Staff requests approval of a minor change to the 2020 Qualified Allocation Plan (QAP) for federal low-income housing tax credits. The requested amendment is limited to a minor text change to incorporate recently amended state statutory language regarding 4% tax credit developments.

The Board initially reviewed and approved the 2020 QAP in May of 2018. The QAP is comprised of the 2020 Housing Tax Credit Qualified Allocation Plan, the 2020 Housing Tax Credit Program Procedural Manual and Self-scoring Worksheets. The QAP provides that it is subject to amendment to conform to federal or state law. This amendment to the 2020 QAP is proposed to incorporate state statutory language related to 4% tax credit developments, Minn. Stat. § 462A.222, subd. 3(d), which provides that the QAP should treat bond-financed developments as the highest strategic priority.

If the Board approves the amendment, the amended 2020 QAP will be presented to the Governor for final approval.

State of Minnesota
Housing Tax Credit
2020 Qualified Allocation Plan (QAP)

Revised 06/2019 ~~5/2018~~

Table of Contents

Article 1 – Preparation of the Qualified Allocation Plan

Minnesota Housing was established by the Minnesota Legislature as the designated Low Income Housing Tax Credit (HTC) Allocating Agency for the State of Minnesota, with certain other cities and counties also designated as suballocators[1].

Federal law requires that Allocating Agencies adopt a Qualified Allocation Plan (QAP), and Minnesota Housing's QAP is developed in accordance with federal law and all applicable federal regulations are hereby incorporated by reference[2]. The QAP sets forth selection criteria that are appropriate to local conditions and priorities for allocating tax credits to housing projects. The selection criteria include project location, housing needs characteristics, project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan, sponsor characteristics, tenant populations with special housing needs, public housing waiting lists, tenant populations of individuals with children, projects intended for eventual tenant ownership, the energy efficiency of the project, and the historic nature of the project.

The QAP gives preference as required by federal law to:

a. Projects serving the lowest income tenants;
b. Projects obligated to serve qualified tenants for the longest periods;
c. Projects in Qualified Census Tracts that are part of a concerted community revitalization plan.

[1] Minn. Stat §§ 462A.221 to 462A.225
[2] Section 42(m)

Article 2 – Definitions

2.0 **Metropolitan Area**: The area over which the Metropolitan Council has jurisdiction, including the counties of Anoka, Carver, Dakota (excluding the city of Northfield), Hennepin (excluding the city of Hanover), Ramsey, Scott (excluding the city of New Prague) and Washington.

2.1 **Substantial Rehabilitation**: Rehabilitation of at least $5,000 per unit, as defined in Minn. Stat. § 462A.221, Subdivision 5.

2.2 **Federally Assisted Building**: The term "Federally Assisted Building" as defined by Section 42 of the Internal Revenue Code means any building which is substantially assisted, financed or operated under Section 8 of the United States Housing Act of 1937, Section 221(d)(3), 221(d)(4), or 236 of the National Housing Act, Section 515 of the Housing Act of 1949, or any other housing program administered by the Department of Housing and Urban Development (HUD) or by the Rural Housing Service of the Department of Agriculture.

2.3 **Internal Revenue Code (The Code or IRC)**: Title 26 of the United States Code.

2.4 **Section 42 (Internal Revenue Code Section 42)**: Low-Income Housing Credit (26 USC § 42) as amended.

2.5 **Housing Credit Agency (Allocating Agency)**: Any entity authorized by the State of Minnesota and Section 42 to allocate tax credits in Minnesota.

2.6 **Qualified Allocation Plan (QAP)**: As defined in Section 42 (m)(1)(B) and including the Self-Scoring Worksheet(s),this document, and the Housing Tax Credit Program Procedural Manual.

Article 3 – Geographic Distribution

3.0 The state of Minnesota is divided into two general geographic pools: (1) the Metropolitan Pool, as defined in Section 2.0; and (2) the Greater Minnesota Pool, which consists of the balance of the state. Distribution of tax credits between the two general pools is based on the share of the state's public assistance recipients residing in each area, pursuant to Minnesota Statutes § 462A.222, subd. 1a.

3.1 Under Minnesota Statutes § 462A.222, certain cities and counties have been designated as suballocators to allocate and monitor tax credits to eligible projects in their cities or counties. Some suballocators have entered into a Joint Powers Agreement with Minnesota Housing under which Minnesota Housing will perform the credit allocation and compliance monitoring.

3.2 Except for the nonprofit set-aside, Minnesota Housing will not accept applications for developments located within the jurisdiction of suballocators in Round 1 unless the suballocator has entered into a Joint Powers Agreement with Minnesota Housing or has returned all of their credits to Minnesota Housing. Minnesota Housing will administer the tax credits for all areas outside the jurisdiction of suballocators.

For a thorough discussion of nonprofit set-aside procedures, refer to Article 4.
For suballocator procedures, refer to Article 12.

3.3 The distribution of tax credits for Greater Minnesota will be based on the housing needs assessment prepared by Minnesota Housing staff and comments from the Greater Minnesota Allocation and Need Analysis Task Force, as amended for the 2020 QAP to incorporate updated demographic data.[3]

3.4 The distribution of tax credits for the Metropolitan Area will be developed by the Metropolitan Council, in consultation with Minnesota Housing and representatives of local government and housing and redevelopment authorities, as amended for the 2020 QAP to incorporate updated demographic data[4].

3.5 As of January 2018, the distribution between the two pools is 39% in the Greater Minnesota Pool and 61% in the Metropolitan Pool. Minnesota Housing will update the distribution for the 2020 QAP based upon updated demographic data in early 2019 and the applicable distribution will be posted on Minnesota Housing's website.

[3] in accordance with Minn. Stat. § 462A.222, subdivision 4
[4] in accordance with Minn. Stat. § 462A.222, subdivision 4

Article 4 – Set-Asides

Nonprofit Set-Aside of Funds

4.0 Ten percent of the total tax credits available in the state's tax credit volume cap are set aside for allocation to nonprofit sponsored developments[5]. This set-aside is administered by Minnesota Housing.

In Round 1, the nonprofit set-aside is divided proportionally between the two Geographic Pools. In Round 2, any remaining nonprofit tax credit set-aside will continue to be set-aside until it is determined that it is not necessary to meet the IRS requirements. If the set aside is not necessary it will be available statewide. On an annual basis, an additional five percent may be set aside if all suballocators and Minnesota Housing agree to set aside this amount from their respective allocations to the respective Geographic Pool.

In Round 1, nonprofit developers with projects located within the jurisdiction of a suballocator may apply for tax credits from Minnesota Housing, but only in the nonprofit set-aside. Nonprofit developments located in the allocating jurisdiction of a suballocator may apply simultaneously to the suballocator and to the Minnesota Housing nonprofit set-aside. Nonprofit developments not located in the allocating jurisdiction of a suballocator will compete for tax credits in the respective general Geographic Pool once the nonprofit set-aside has been exhausted.

Rural Development/Small Projects Set-Aside of Funds

4.1 Minnesota Housing designates a portion of the state's tax credit volume cap to Rural Development (RD) financed projects, or small projects with a site located in a RD service area consisting of 12 or fewer units, will receive a special set-aside administered by Minnesota Housing until the end of Round 2, or until it is determined that there are no eligible applications for the set-aside.

[5] As required by Section 42(h)(5). Nonprofit must have a Section 501(c)(3) or (4) status and meet the other requirements in Section 42(h)(5)(C)

Article 5 – Application Rounds

5.0 Minnesota Housing will hold two funding competitions each year to allocate the states' tax credit volume cap, Round 1 and Round 2.

Round 1

5.1 **Distribution:** In Round 1, the distribution of credits in each Geographic Pool will be as follows:

a. Greater Minnesota Pool (see definition in Article 3)

1. RD/Small Project Set-Aside (25 percent, not to exceed $350,000 of Greater Minnesota tax credit total)
2. Three suballocators eligible to administer credits within their respective city limits:
   i. Duluth
   ii. Rochester
   iii. St. Cloud
3. Balance of Greater Minnesota Area and nonprofit set-aside administered by Minnesota Housing

b. Metropolitan Area Pool (see definition in Article 3)

1. Four suballocators eligible to administer credits within their respective city or county limits:
   i. Minneapolis
   ii. Saint Paul
   iii. Washington County
   iv. Dakota County
2. Balance of Metropolitan Area and nonprofit set-aside administered by Minnesota Housing.

5.2 **Suballocator Jurisdiction**: In Round 1, applications for developments located within the jurisdiction of a suballocator are not eligible to apply to Minnesota Housing with the exception of the nonprofit set-aside, or if the suballocator has entered into a Joint Powers Agreement with Minnesota Housing or has returned all of their credits to Minnesota Housing (see Article 3).

5.3 **Preservation Ceiling**: In Round 1, Minnesota Housing will establish a preservation award ceiling of 2/3 for each Geographic Pool, Metropolitan and Greater Minnesota, but not including the RD/Small Project Set-Aside nor the Nonprofit Set-Aside. Minnesota Housing reserves the right to exceed the 2/3 ceiling if qualifying new construction proposals are not available or do not rank competitively.

5.4 **Minimum Threshold Requirements**: For applications submitted in Round 1, all applicants statewide must meet one of the following threshold types. The threshold type the applicant applies under will become part of the Tax Credit Reservation and Commitment. It will be secured by a restrictive use covenant on the land for the term of the compliance period and, as applicable, the extended use period. An Allocating Agency will allocate tax credits only to the following types of projects:

a. In the Metropolitan Area:

   1. New construction or Substantial Rehabilitation in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75 percent of the total tax credit units are single room occupancy, efficiency or one bedroom units with rents affordable to households whose income does not exceed 30 percent of the area median income.

   2. New construction or Substantial Rehabilitation family housing projects that are not restricted to persons 55 years old or older in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), at least 75 percent of the total tax credit units contain two or more bedrooms and at least one-third of the 75 percent contain three or more bedrooms.

   3. Substantial Rehabilitation projects in neighborhoods targeted by the city for revitalization.

b. Outside the Metropolitan Area:

   Projects that meet a locally identified housing need and that are in short supply in the local housing market, as evidenced by credible data submitted with the application.

c. Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants), a percentage of the units are set aside and rented to persons:

   1. With a serious and persistent mental illness as defined in Minnesota Statutes § 245.462, Subdivision 20, paragraph (c);

   2. With a developmental disability as defined in Section 6001, paragraph 5 of the Code;

   3. Who have been assessed as drug dependent persons as defined in Minnesota Statutes § 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes § 254A.02, Subdivision 2;

   4. With a brain injury as defined in Minnesota Statutes § 256B.093, Subdivision 4, paragraph (a); or

   5. With permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the project are accessible as provided under Minnesota Rules Chapter 1341.

d. Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of tax credits is necessary to (1) prevent conversion to market rate use or (2) to remedy physical deterioration of the project, which would result in loss of existing federal subsidies.

e. Projects financed by Rural Development, which meet statewide distribution goals.

Round 2

5.5 **Distribution:** In Round 2, all remaining or returned tax credits will be combined into one unified pool for allocation by Minnesota Housing on a statewide basis, without regard to geographic distribution and with no set-asides[6]. All Round 2 applications are submitted to Minnesota Housing.

5.6 **Waiting List**: Minnesota Housing may, at its discretion, establish a waiting list following Round 2 if sufficient credits are not available. If a waiting list is established and additional credits later become available, all applications would be considered at the same time to determine selection. A project on the waiting list that is awarded its credit request through the subsequent year's Round 1 will no longer be eligible to receive credits through the waiting list and will be removed from the list. If the waiting list is exhausted, Minnesota Housing may accept additional applications.

5.7 **Supplemental Priority**: Projects that have previously received tax credits and have an annual tax credit shortfall of at least 5 percent, but not more than 33.33 percent of the total qualified annual tax credit amount, subject to Minnesota Housing approval, will have priority over other applicants at the start of Round 2. Suballocators may recommend one of their partially funded projects for additional credits, if more than one applicant applies to Minnesota Housing.

[6] In the event that the Minnesota RD office has not received a funding allocation in time for RD projects to be included in Round 1, the RD/Small Projects set-aside will be carried forward until the end of Round 2, or until it is determined that there are no eligible applications for the set-aside. In the event that Minnesota Housing has not met the 10% IRS requirement in Round 1, the Non-profit set aside will also be carried forward until the end of Round 2.

Article 6 – Application Process

6.0 A complete application containing the submissions described in the Housing Tax Credit Program Procedural Manual must be submitted no later than each of the application due dates in order to be considered for selection, within the applicable competition.

a. Projects selected and approved by the Minnesota Housing board in each selection competition will be approved as eligible to proceed toward commitment and allocation.

b. Projects not selected may, upon notification, choose to compete in subsequent competitions.

6.1 Eligible projects will be evaluated for the amount of allocation pursuant to Section 42(m)(2)(B). Such a determination must not be construed to be a representation or warranty as to the feasibility or viability of the project. Minnesota Housing will conduct three evaluations prior to awarding the credit:

a. At the time of initial application/reservation

b. At the time of commitment to allocate credits/carryover allocation

c. At the time the building is placed in service

For each evaluation, the applicant must submit the most recent financial information on the project. Misrepresentations of information will result in failure to award Internal Revenue Service (IRS) Form 8609, debarment from participation in the HTC Program and possible criminal penalties.

Selected applicants failing to place a project in service in the allocation year for which the reservation was issued may be awarded a carryover allocation by submitting the required carryover application submissions detailed in the Housing Tax Credit Program Procedural Manual.

Minnesota Housing reserves the right not to allocate any tax credits.

Article 7 – Additional Administrative Procedures

7.0 During the allocation year, the per-developer or general partner tax credit limit is the greater of: the amount representing 10 percent of the state's per capita volume limit in tax credits, or the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner. Such projects are subject to a development limit of no more than $1,250,000 in cumulative tax credits awarded to any one development.

These limitations are subject to review and waiver by the Minnesota Housing board. The applicant must provide justification for exceeding this limit for consideration by Minnesota Housing.

7.1 No project may be divided into two or more projects during a single funding round to receive credits. Multiple applications, determined by Minnesota Housing to be one project, will be returned to the applicant and all fees forfeited. Minnesota Housing will consider factors such as, but not limited to, ownership entities, general partnerships, sponsor relationships and location of project, if contiguous site, to determine if a multiple application exists.

7.2 Minnesota Housing may elect not to give partial credits to a higher-ranking application but to give the credits to the next ranking application that can use the balance of the credits.

7.3 Minnesota Housing has no jurisdiction to interpret or administer Section 42, except in those instances where it has specific delegation.

7.4 Minnesota Housing may consult with local communities, Public Housing Authorities (PHAs), Housing and Redevelopment Authorities (HRAs), RD and HUD to determine the marketability of projects. If, in the opinion of Minnesota Housing, the issuance of the tax credits to a project could be detrimental to existing rental property, Minnesota Housing will not issue tax credits to the applicant.

7.5 Minnesota Housing reserves the right to adjust fees due to changing circumstances in order to cover its costs associated with producing and delivering Minnesota's HTC Program.

Article 8 – Credits for Buildings Financed by Tax-Exempt Volume Limited Bonds

8.0 Section 42 establishes a separate set of procedures to obtain tax credits through the issuance of tax exempt volume limited bonds.[7] Although the tax credits are not counted in the tax credit volume cap for the State of Minnesota, developers of projects should be aware that:

a. Section 42 (m)(1)(D) provides that in order for a project to receive an allocation of tax credits through the issuance of tax exempt volume limited bonds, the project must satisfy the requirements of the QAP applicable to the area in which the project is located. The Minnesota Housing QAP applies to all projects for which Minnesota Housing is the issuer of the bonds and all other projects for which the issuer is not located within the area covered by a suballocator QAP. The project must comply with the QAP that is in effect for the calendar year in which the tax exempt volume limited bonds are issued sufficient, together with any tax exempt volume limited bonds issued in a prior calendar year, to finance at least 50 percent of the aggregate basis of the building and the land it is located on.

   For projects to which the Minnesota Housing QAP applies, Minnesota Housing must make a determination that the above requirements are satisfied. After this determination, Minnesota Housing will issue a preliminary determination letter. **Application for this determination must be made to Minnesota Housing at least 30 days prior to the issuance of the tax-exempt volume limited bonds sufficient, together with any tax exempt volume limited bonds issued previously for the same project, to finance at least 50 percent of the aggregate basis of the building(s) and land it is located on.**

   In order to qualify under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **40 points**.

   The threshold requirements in Article 5 of the QAP do not apply to projects not receiving tax credits counted in the tax credit volume cap for the state. The strategic priority policy thresholds in Article 9 do not apply to projects that are not applying for any Minnesota Housing resources other than non-competitive tax credits.[8]

   In order to receive the preliminary determination described above, the developer must submit to Minnesota Housing all documents required for an application for tax credits as established by Minnesota Housing QAP and Procedural Manual and any additional information requested by the Allocating Agency. **These documents are those required for an application for tax credits under Chapter 6 and Chapter 7 of the Housing Tax Credit Program Procedural Manual and any additional information required by Minnesota Housing**. The developer must also submit to Minnesota Housing the required application fees identified in the QAP/Manual.

b. Section 42 (m)(2)(D) provides that in order for a project to receive an allocation of tax credits through the issuance of tax exempt volume limited bonds, the governmental unit

[7] Tax exempt volume limited bonds are "residential rental bonds" that are taken into account under the state ceiling on the aggregate face amount of tax exempt private activity bonds pursuant to Section 146 of the Internal Revenue Code. Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the Internal Revenue Code to finance a qualified residential rental project.

[8] As required by Minn. Stat. § 462A.222, subd. (3)(d) residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority, and such developments are therefore not required to meet a separate strategic priority threshold.

that issues the bonds (or on behalf of which the bonds were issued) must make a determination that the credit amount to be claimed does not exceed the amount necessary for the financial feasibility of the project and its viability as a qualified low income housing project throughout the credit period.

For projects to which the Minnesota Housing QAP applies, the determination by the issuer must be made in a manner consistent with (Minnesota Housing's QAP and Housing Tax Credit Program Procedural Manual. Section 42 requires that the issuer evaluation must consider:

1. The sources and uses of funds and the total financing planned for the project
2. Any proceeds or receipts expected to be generated by reason of tax benefits
3. The percentage of the housing credit dollar amount used for project costs other than the cost of intermediaries
4. The reasonableness of the developmental and operational costs of the project, and
5. A comprehensive market study of the housing needs of low-income individuals in the area to be served by the project, conducted before the credit allocation is made, and at the developer's expense by a disinterested party approved by Minnesota Housing.

   This determination must be made **prior to the issuance of the tax exempt volume limited bonds** in an amount sufficient, together with any tax exempt volume limited bonds issued previously for the same project, to finance at least 50% of the aggregate basis of the building and the land it is located on.

c. Section 42 provides that in order for a project to be eligible for tax credits, the taxpayer/owner must enter into an extended use agreement (Declaration of Land Use Restrictive Covenants). Section 42(h)(6)(C)(ii) provides that the credit amount claimed for buildings financed by tax exempt volume limited bonds by the taxpayer/owner under Section 42 (h)(4) may not exceed the amount necessary to support the applicable fraction specified in the use agreement for the buildings.

d. After the project is placed in service, the development must submit to Minnesota Housing an application and appropriate fees for Form 8609, meeting the requirements of the QAP/Manual. The developer must also submit to Minnesota Housing any other related fees identified in QAP/Manual.

Article 9 – Strategic Priority Policy Thresholds

9.0 To be eligible for tax credits, either from the state's tax credit volume cap under Minnesota Housing's QAP and non-competitive tax credits, except as set out in Article 8, a developer must demonstrate that the project meets at least one of the following priorities:

a. **Access to Fixed Transit**: Projects within one-half mile of a planned or existing LRT, BRT or commuter rail station.

b. **Greater Minnesota Workforce Housing**: Projects in Greater Minnesota documenting both of the following:

1. Need: Projects in communities with low vacancy (typically considered 4 percent and below, documented by a market study or other third party data) and:

   i. That have experienced net job growth of 100 or more jobs,

   ii. With 15 percent or more of the workforce commuting 30 or more miles to work, or

   iii. With planned job expansion documented by a local employer

2. Employer Support in the form of a letter of support from an employer with 20 or more FTE's. The letter should discuss the difficulty of employees' to locate housing in the jurisdiction where the project is located and provide a description of employee wages and proposed rents in the project.

c. **Economic Integration**: Projects located in higher income communities (outside of rural/tribal designated areas) with access to low and moderate wage jobs, meeting either First or Second Tier Community Economic Integration as defined in the Areas of Opportunity category on the Self-Scoring Worksheet.

d. **Tribal**: Projects sponsored by tribal governments, tribally designated housing entities or tribal corporate entities.

e. **Community Development Initiative:** Projects that contribute to active implementation of a Community Development Initiative, as defined in the Community Development Initiative selection criterion, to address locally identified needs and priorities in which local stakeholders are actively engaged.

f. **Preservation**: Projects that preserve existing federally assisted housing or other critical affordable projects eligible for points under the Preservation selection criterion on the Self-Scoring Worksheet.

g. **Supportive Housing**: Proposals that will serve people with disabilities or High Priority Homeless (HPH) households must be eligible for points under Permanent Supportive Housing for High Priority Homeless selection criterion on the Self-Scoring Worksheet or the People with Disabilities selection criterion under the Self-Scoring Worksheet.

Article 10 – Project Scoring

10.0 **Minimum Points Requirement (Competitive Round Tax Credits)**: To be eligible for tax credits from the state's volume cap under Minnesota Housing's QAP, a developer must demonstrate that the project is eligible for no less than **70** points in the Self-Scoring Worksheet. This excludes projects funded through the Rural Development/Small Projects Set-Aside, which must be eligible for no less than 30 points.

Minnesota Housing reserves the right to reject applications not meeting its project selection requirements, as contained in the Housing Tax Credit Program Procedural Manual, or to revise proposal features and associated scoring to ensure the project meets the requirements.

10.1 **Selection Priorities**: Selection Priorities consist of the following:

a. Large Family Housing
b. People with Disabilities
c. Economic Integration
d. Access to Higher Performing Schools
e. Rural/Tribal
f. Workforce Housing
g. Other Contributions
h. Financial Readiness to Proceed/Leveraged Funds
i. Intermediary Costs
j. Unacceptable Practices
k. Eventual Tenant Ownership
l. Planned Community Development
m. Preservation
n. Permanent Supportive Housing for High Priority Homeless
o. Location Efficiency
p. Universal Design
q. Smoke free Buildings
r. Cost Containment
s. MBE/WBE

10.2 **Preference Priorities**: Preference Priorities consist of the following:

a. Serves Lowest Income Tenants/Rents Reduction
b. Rental Assistance
c. QCT/Community Revitalization and Tribal Equivalent Areas
d. Long Term Affordability

10.3 **Tie Breakers**: If two or more proposals have equal number of points, the following will be used to determine selection:

a. First tie breaker: Priority will be given to the project with the greater number of points in Preference Priority criteria; if a tie still remains;

b. Second tie breaker: Priority will be given to a project located in a city, township or Tribal Reservation that has not received tax credits in the last two years; if a tie still remains;

c. Third tie breaker: Priority will be given to the project with the highest “Percentage of Funds Secured, Awarded or Committed” as measured by the selection criterion of Financial Readiness to Proceed/Leveraged Funds; if a tie still remains;

d. Fourth tie breaker: Priority will be given to the project with the lowest percentage of intermediary costs, as measured by the Intermediary costs selection criterion; if a tie still remains;

e. Fifth tie breaker: Priority will be by lot.

Article 11 – Minnesota Housing Compliance Monitoring

11.0 All tax credit projects will be monitored by Minnesota Housing in accordance with Section 42(m)(1)(B)(iii) and Treasury Regulations 1.42-5. See Minnesota Housing's Tax Credit Compliance Manual for additional information on compliance and monitoring.

11.1 **Record keeping and record retention provisions:**

a. Record keeping provision. The owner of a low-income housing project must keep records for each qualified low-income building (in the project) showing each year:

1. The total number of residential rental units in the building (including the number of bedrooms and the size in square feet).
2. The number of occupants in each low-income unit and the number of minors. Housing information concerning ethnicity, elderly or family household and student resident status, and type and amount of rental assistance.
3. The percentage of residential rental units in the building that are low-income units, models, offices and management units.
4. The rent charged on each residential rental unit in the building (including utility allowance). Documentation including rent rolls, leases and utility allowances per IRS Notice 94-60 issued June 1994.
5. The low-income unit vacancies in the building and the rentals of the next available units.
6. The annual income certification of each low-income tenant on a Minnesota Housing Tenant Income Certification.
7. The annual student certification of each low-income tenant on a Minnesota Housing Annual Student Certification form, HTC 35.
8. Documentation to support each low-income tenant's income certification. Anticipated income of all adult persons expecting to occupy the unit must be verified and included on a Tenant Income Certification **prior** to occupancy and for mixed-income projects, annually recertified to determine whether the Available Unit Rule must be implemented.
9. The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) (e.g., tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project).
10. The eligible basis and qualified basis of the building at the end of the first year of the credit period.
11. Any additional records necessary to verify compliance with additional restrictions included in the Carryover Agreement or Declaration.

b. Record retention provision. The owner of a low-income housing project must retain the records described in 11.1(a) for each building in the project for at least six years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the credit period, however, must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.

c. Inspection record retention provision. Under the inspection record retention provision, the owner of a low-income housing project must be required to retain the original local health, safety or building code violation reports or notices that were issued by the state or local government unit (as described in IRC 1.42-5 (c)(1)(vi)) for Minnesota Housing's inspection. Retention of the original violation reports or notices is not required once Minnesota Housing reviews the violation reports or notices and completes its inspection, unless the violation remains uncorrected.

11.2 **Certification and Review Provisions:**

a. Certification. The owner of a low-income housing project must certify to Minnesota Housing that the project meets the minimum requirements of:

20/50 test under Section 42(g)(1)(A) of the Code; or
40/60 test under Section 42(g)(1)(B) of the Code.

1. There has been no change in the applicable fraction (as defined in Section 42 (c)(1)(B) of the Code) for any building in the project.
2. At initial occupancy the owner has received a Tenant Income Certification with supporting documentation and an Annual Student Certification from each low-income household. At annual recertification owner has received an Annual Student Certification and, where applicable, a Tenant Income Certification with supporting documentation from each low-income household.
3. Each low-income unit in the project has been rent-restricted under Section 42(g)(2) of the Code.
4. No tenants in low-income units were evicted or had their tenancies terminated other than for good cause and no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42.
5. All low-income units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (l)(3)(B)(iii) of the Code).
6. No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601 -3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court.
7. Each building in the project is and has been suitable for occupancy, taking into account local health, safety and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project.
8. There have been no changes in the eligible basis (as defined in Section 42(d) of the Code) of any building in the project since the last certification of submission.

9. All tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups and appliances were provided on a comparable basis without charge to all tenants in the buildings.
10. If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income.
11. If the income of tenants of a low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in the building was or will be rented to residents having a qualifying income.
12. An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher, and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989).
13. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving qualified nonprofit organizations under Section 42(h)(5) of the Code and its nonprofit entity materially participated in the operation of development within the meaning of Section 469(h) of the Code.
14. There has been no change in the ownership or management of the project.

b. Review. Under the review provision, a monitoring procedure must require:

1. An owner of a low-income housing project to submit to Minnesota Housing a completed, Minnesota Housing signed copy of IRS Form 8609 for the first year of the credit period with Part II completed.
2. Minnesota Housing will inspect low-income housing projects once every three years and review the tenant income certifications for at least 20 percent of the units and the documentation the owner has received to support those certifications. Less frequent inspections may occur after the 15-year compliance period has expired. All projects must have their first compliance inspection no later than the year following the first credit period.
3. The low-income housing projects to be inspected must be chosen in a manner that will not give owners of low-income housing projects advance notice that their records for a particular year will or will not be inspected. Minnesota Housing may give an owner reasonable notice that an inspection will occur so that the owner may assemble records (e.g., 30 day notice of inspection).

11.3 **Inspection Provision**: Minnesota Housing has the right to perform an inspection of any low-income housing project at least through the end of the term of the Declaration of Land Use Restrictive Covenants. An inspection includes a physical inspection of any building(s) in the project, as well as a review of the records described in Article 11.1. The auditing provision of this paragraph is required in addition to any inspection of low-income certification and documentation under Paragraph 11.2(b).

11.4 **Notification of Non-Compliance Provisions:**

a. In General. Minnesota Housing will give the notice described in IRS Regulation Section 1.42-5(e)(2) to the owner of a low-income housing project and the notice described in Section 1.42-5(e)(3) to the IRS.

b. Notice to Owner. Minnesota Housing will provide prompt written notice to the owner of a low-income housing project if Minnesota Housing does not receive the certification described in 11.2(a) or 11.3 or discovers in an audit, inspection, or review, or in some other manner, that the project is not in compliance with the provisions of Section 42.

c. Notice to IRS. When required, Minnesota Housing will file Form 8823, Housing Credit Agencies Report of Non-Compliance, with the IRS no later than 45 days after the end of the correction period (as described in 11.5, including extensions permitted). Minnesota Housing must check the appropriate box on Form 8823 indicating the nature of the noncompliance or failure to certify and indicating whether the owner has corrected the noncompliance or failure to certify. If Minnesota Housing reports on Form 8823 that a building has gone entirely out of compliance and will not be in compliance at any time in the future, Minnesota Housing need not file Form 8823 in subsequent years to report that building's noncompliance.

d. Project owners must provide to Minnesota Housing any evidence of noncompliance correction and correspondence to or received from the IRS with respect to any reported noncompliance.

11.5 **Correction Period**: The correction period will be that period specified in the notice to the owner during which an owner will have the opportunity to supply any missing certifications and bring the project into compliance with the provisions of Section 42. The correction period will be set by Minnesota Housing and will not exceed 90 days from the date of the notice to the owner described in Paragraph 11.4(b). Minnesota Housing may extend the correction period for up to six months, but only if Minnesota Housing determines there is good cause for granting the extension.

11.6 **Liability**: Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the credit is allowable. Minnesota Housing's obligation to monitor for compliance with the requirements of Section 42 does not make Minnesota Housing liable for an owner's noncompliance.

Article 12 – Suballocator Procedures

12.0 A city or county is eligible to receive a reserved portion of the state ceiling under this subdivision if it submitted a written request to Minnesota Housing within 45 days after June 2, 1987, to act as a designated Housing Credit Agency as provided in Section 42. A city or county may designate its housing and redevelopment authority as a suballocating agent to allocate low-income housing credits on behalf of the city or county. The city of Minneapolis or the city of Saint Paul may designate the Minneapolis/Saint Paul Housing Finance Board to allocate low-income housing credits on behalf of each city. Minnesota Housing will administer the tax credits for areas outside the jurisdiction of the suballocators.

12.1 Minnesota Housing, in consultation with the suballocators, will determine application competition deadlines as required by statute. Minnesota Housing will make an effort to align the application deadline for the suballocating agencies in Round 1 with Minnesota Housing's deadline. No Allocating Agency may award tax credits prior to the application closing date for Round 1.

12.2 Before the application deadline for Round 2, the suballocators must return all uncommitted and unallocated tax credits to Minnesota Housing, along with copies of the tax credit application and allocation or commitment agreements for all selected projects.

12.3 If a suballocator determines at any time before Round 2 that a project is no longer eligible for all or a portion of the tax credits committed or allocated to the project, the tax credits must be transferred to Minnesota Housing to be reallocated. If the tax credits for which the project is no longer eligible are from the current year's annual ceiling and the suballocator maintains a waiting list, the suballocator may continue to commit or allocate the credits until no later than the date of application for the Round 2. At that time, any uncommitted credits must be transferred to Minnesota Housing.

12.4 So that all of a project's tax credits are allocated by a single Allocating Agency, Minnesota Housing may apportion additional tax credits to a suballocator for a project that has already received a commitment or allocation of tax credits from the suballocating agency, if all of the suballocator's tax credits have been committed or allocated. These supplemental tax credits must be used only for the selected project and must be allocated to the project by a carryover allocation or IRS Form 8609 before November 15 of the year in which the selection was made. If at any time after the apportionment of the tax credits a suballocator determines the project cannot use or is no longer eligible for all or a portion of the tax credits apportioned to the project, the credits must be returned to Minnesota Housing within 10 business days for reallocation.

12.5 Suballocators are responsible for the issuance of the IRS Form 8609 for all projects for which they have allocated tax credits. In instances where both a suballocator and Minnesota Housing have allocated credits to a project, the Allocating Agency that first allocated tax credits to the project will prepare the IRS Form 8609.

12.6 As the primary and lead housing credit agency for the state of Minnesota, Minnesota Housing is responsible for collecting and filing the required form with the IRS each year on the last day of

February. Minnesota Housing will prepare a comprehensive IRS Form 8610, incorporating all carryover and 8609 allocations made in the state of Minnesota for filing with the IRS. The local suballocators have agreed to submit the following information to Minnesota Housing no later than January 31 for all tax credit activity that has occurred in the preceding year:

a. A copy of all Reservation/Binding Agreements, an original of the Carryover Agreement, and copies of all IRS Form 8609s, completed and issued to all (including tax exempt) projects selected since February 28 of the preceding calendar year

b. A completed tax credit application form (Multifamily Workbook) for each development receiving an allocation through a reservation, carryover, or issuance of 8609 for tax credits issued from volume cap and in connection with tax exempt volume limited bonds

c. A completed IRS Form 8610 Schedule A for each development receiving a carryover allocation

d. A Suballocator Compliance Activity Report containing the results of inspection activity conducted during each monitoring year with copies of any forms 8823 filed with the IRS

e. Any other information requested by Minnesota Housing necessary to meet federal and state reporting purposes

12.7 Suballocators are responsible for the monitoring of tax credit projects for the term of the Declaration of Land Use Restrictive Covenants, in accordance with 42(m)(1)(B)(iii) (see Article 11) to ensure compliance with applicable federal, state and local requirements. Compliance records must be available upon request to Minnesota Housing from the suballocator or its monitoring agent. Projects that receive tax credits from Minnesota Housing that are apportioned to a suballocating agency must incorporate Minnesota Housing restrictions that are a condition of the tax credit award (e.g., nonprofit set-aside, homeless households)

12.8 Before January 31, suballocators will submit to Minnesota Housing compliance staff a comprehensive updated report listing all HTC projects awarded tax credits by the suballocator. Include the following items in the report:

a. Project name

b. Address

c. Building identification numbers

d. Ownership entity and tax identification number

e. Total number of residential units

f. Number of tax credit units

g. Year of allocation

h. Amount of tax credits awarded

i. Other information as needed

In addition, suballocators will submit a list of the projects that have been in noncompliance, the year of noncompliance, inspection date and type of noncompliance, along with copies of the IRS Form 8823 and the report of noncompliance findings sent to the owner. Suballocators will also submit a copy of their monitoring requirements, procedural manual and forms, and, if applicable, a copy of the monitoring contract with an outside vendor.

12.9 A suballocator may elect to enter into a Joint Powers Agreement with Minnesota Housing. Under a Joint Powers Agreement, Minnesota Housing will perform certain functions related to the credit allocation and compliance monitoring. As a condition of the Joint Powers Agreement, the participating suballocator will transfer its entire annual tax credit distribution to Minnesota Housing.

12.10 Suballocators are responsible for entering into an agreement with HUD to perform Subsidy Layering Reviews.

Article 13 – Amendments to the Qualified Allocation Plan

13.0 The QAP is subject to modification or amendment at any time to ensure that the provisions conform to the requirements of the Code and applicable Minnesota law. Minnesota Housing may also make population and date changes and other non-substantive updates to the QAP.

Written explanation will be made available to the general public for any allocation of tax credits that is not made in accordance with Minnesota Housing's established priorities and selection criteria.

The QAP may be amended for substantive issues at any time following public notice and public hearing. Public hearings are held at the main offices of Minnesota Housing in Saint Paul, Minnesota. Any substantive amendments will require approval of the Minnesota Housing board and the governor.

This QAP has been prepared to comply with the regulations set forth in Section 42 of the Code. The QAP may be subject to amendment in order to conform to the Code and applicable state statute.

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MINNESOTA HOUSING

2020 Housing Tax Credit Program Procedural Manual

Revised 06/2019 ~~5/2018~~

Table of Contents

Chapter 1 – Introduction

The Federal Tax Reform Act of 1986 created the Housing Tax Credit (HTC) Program (see Section 42 of the Internal Revenue Code) for qualified residential rental properties. The HTC offers a reduction in tax liability to owners and investors in eligible low-income rental housing projects involving new construction, rehabilitation or acquisition with rehabilitation.

The Minnesota Housing Finance Agency (Minnesota Housing) has been designated by the Minnesota Legislature as the primary allocating agency of HTC in Minnesota. Qualified local cities and counties have also been designated by the Legislature as suballocators of the HTC.

Section 42 of the Internal Revenue Code (Section 42) requires that housing credit allocating agencies develop an allocation plan for the distribution of the tax credits within the jurisdiction of the allocating agency (IRS Regulations 1.42-17 Qualified Allocation Plan). This document – the Housing Tax Credit Program Procedural Manual – and all forms and attachments, along with the Self-Scoring Worksheet(s), are a part of Minnesota Housing's Qualified Allocation Plan (QAP). The QAP is subject to modification or amendment to ensure the provisions conform to the changing requirements of Section 42 and applicable state statutes.

Minnesota Housing is also required to monitor HTC projects during the compliance period as well as notify the Internal Revenue Service (IRS) of any noncompliance with the requirements of Section 42 of which it becomes aware. All applicants should review the IRS Regulations 1.42-5 Monitoring Compliance. In addition, Minnesota Housing will monitor the projects during the remaining term of the Declaration of Land Use Restrictive Covenants (Declaration) following the conclusion of the compliance period.

Minnesota Housing is under no obligation to undertake an investigation of the accuracy of the information submitted in an application. Minnesota Housing's review of a proposed housing project does not constitute a warranty of the accuracy of the information, nor of the quality, suitability, feasibility or marketability of the housing to be constructed or rehabilitated. If any information submitted to Minnesota Housing by the applicant is later found to have been incorrect or there has been a subsequent change in any material respect, it is the responsibility of the applicant to inform Minnesota Housing and to request a reexamination of the application.

This manual is provided solely for use in applying for tax credits from Minnesota Housing and may not be relied upon in structuring or investing in specific transactions, compliance with the Internal Revenue Code, Treasury Regulations or any other laws or regulations governing tax credits. Interested parties should consult with a knowledgeable tax professional prior to entering into any commitment concerning the use and claim of tax credits.

Chapter 2 – Policies and Procedures

A. Application Cycle

Minnesota Housing has two annual HTC funding cycles, Round 1 and Round 2, to allocate the state's tax credit volume cap. Applications for tax credits in association with tax exempt volume limited bonds are accepted year round on a pipeline basis.

Round 1 uses a forward selection process, with selections taking place in the fall of the year proceeding the allocation year of the credits. During Round 1, for-profit applicants must apply directly to the suballocator for a credit allocation if the project falls within a suballocator's jurisdiction. Nonprofit applicants may apply to the Minnesota Housing nonprofit set-aside or the suballocator individually or concurrently. Any unused tax credits are returned to Minnesota Housing prior to Round 2.

Round 2 makes available for allocation any tax credits remaining or returned since Round 1. Additionally, Round 2 establishes a waiting list for credits that may be returned. In Round 2, all projects located in suballocator jurisdictions may apply directly to Minnesota Housing.

B. Multiple Buildings

Projects may include multiple buildings having similarly constructed housing units, provided the buildings are located on the same tract of land, have the same owner for federal income tax purposes and are financed pursuant to a common plan of financing. Scattered site buildings on different tracts of land will also qualify if the project meets all of the other requirements described above and the project is 100 percent rent restricted. The Scoring and Deferred Loan Priority Checklist Guide provides additional information on how thresholds, strategic priorities, and selection criteria will apply to scattered site projects.

C. Nonprofit Set-Aside

Federal law requires that 10 percent of the total annual credit allocated from the states' tax credit volume cap be reserved each year exclusively for projects involving ownership by nonprofit organizations which have a 501(c)(3) or (c)(4) status and satisfy the requirements of Section 42(h)(5) On an annual basis, Minnesota Housing and suballocators may reserve an additional 5 percent for a total annual nonprofit set-aside of 15 percent.

The nonprofit must be local, organized and incorporated in the state of Minnesota and have significant experience in Minnesota as a sponsor, owner or manager of low-income housing. The nonprofit must have the fostering of low-income housing as one of its exempt purposes and must materially participate in the ownership, development and operation of the low-income project through the term of the Declaration.

The intent of Section 42 is to ensure that a for-profit entity or individual does not set up a sham nonprofit organization in order to tap the nonprofit set-aside. This could include establishing a nonprofit organization for the specific project, without any history, experience, local community involvement or financial strength.

The nonprofit organization must demonstrate that the nonprofit is acting independently and free from influence of control by the for-profit project team members. Minnesota Housing reserves the right to contact the officers and directors of the nonprofit organization to determine their independence.

Minnesota Housing requires that all nonprofits applying for the nonprofit set-aside disclose all identity of interest between the nonprofit and any member of the for-profit project team. An identity of interest would include any officer, director, partner, stockholder, relative, seller or owner of land or building involved, processing agent, real estate salesperson or broker, employee, or anyone acting to represent any for-profit member of the project team who controls or influences the decisions of the nonprofit.

If there is an identity of interest, affiliation or conflict, as determined by Minnesota Housing, Minnesota Housing may disqualify the nonprofit from receiving credits from the nonprofit set-aside. In making this determination, Minnesota Housing will consider the following:

1. The nonprofit's history, funding sources and composition of its board
2. Past experience and anticipated future activities of the nonprofit, including involvement in the local community
3. Sources and manner of funding of the nonprofit
4. The nonprofit's degree of financial strength for completion and operation of the project during the term of the Declaration
5. The relationship of the principals involved in the formation of the nonprofit organization with for-profit individuals concerning the tax credit application. A nonprofit cannot be affiliated with or controlled by a for-profit entity by:
   a. Having more than a 25 percent share of common board members; or
   b. Having more than 25 percent of its funding, directly or indirectly, from the parent entity; or
   c. Having any other type of association that is not considered an arms-length affiliation
6. The extent to which the nonprofit materially participates within the meaning of Section 469(h) of the Internal Revenue Code in the development and operation of the project throughout the term of the Declaration. Minnesota Housing will also look at the nonprofit's involvement in the project-related construction, management, ownership interest, sharing of fees and funding provisions.
7. If the nonprofit set-aside is exhausted during a round, the nonprofit applicant with proposed projects in Minnesota Housing's jurisdiction may be eligible for tax credits from the appropriate for-profit set-aside and selected based upon its point ranking. (See also Article 3 and 4 of the QAP.) However, any proposal with a qualified nonprofit applicant must comply with the nonprofit requirements of IRC Section 42(h)(5)(C) and (D), including material participation for the term of the declaration. This requirement will be recorded as a covenant on the land that will apply to all subsequent owners.

D. Rural Development/Small Project Set-Aside

Minnesota Housing designates a portion of the state's tax credit volume cap to Rural Development (RD) financed projects.

Eligible projects must have either:

1. A Rural Development (RD) financing commitment or,
2. A site located in an RD service area and consisting of 12 or fewer units.

First priority will go to projects with applications for financing or a commitment from RD. A developer may have a maximum award of two projects within this set-aside each allocation year. Applicants to the set-aside first compete in the general pool, and if not competitive, then move to the $350,000 RD/Small Project set-aside for consideration. The tax credits will not be allocated to an RD project until a financing commitment has been executed.

E. Developer and Development Limits

During the allocation year, the per-developer or general partner tax credit limit is the greater of: the amount representing 10 percent of the state's per capita volume limit in tax credits, or the amount needed to support two developments in the case that two developments selected are being developed by the same developer or general partner. Such projects are subject to a development limit of no more than $1,250,000 in cumulative tax credits awarded to any one development.

At the sole discretion of Minnesota Housing, these limits may be waived. Minnesota Housing's goal is to optimize the use of all available sources of funding for multifamily developments, including private investor equity, amortizing loans and deferred loans, to produce the maximum number of affordable rental units that meet the strategic priorities adopted by Minnesota Housing and represent developments that are sustainable, cost effective and geographically diverse . Consistent with this goal, the following criteria will be used to determine if, and when, Minnesota Housing will provide a waiver.

1. Developer Limit
    a. Developer/Sponsor capacity - The ability and capacity of the development team to proceed expeditiously to complete multiple developments.
    b. Financial Feasibility - The applicant must demonstrate that the tax credits are necessary for the financial feasibility of the proposed development and that a significant funding gap will remain if the waiver is not granted.
    c. Minnesota Housing may also waive these limits during Round 2 if there are excess tax credits at year-end.
2. Development Limit
    a. Financial Feasibility - The applicant must demonstrate that the tax credits are necessary for the financial feasibility of the proposed development and that a significant funding gap will remain if the waiver is not granted.
    b. Minnesota Housing may also waive these limits during Round 2 if there are excess tax credits at year-end.

Applicants should not assume that this waiver will be automatically provided or rely on this statement when determining the scope of the proposed project.

F. Transfer of Ownership

For the long term viability of quality housing, Minnesota Housing's position is that the development and management teams making the decisions in developing the tax credit housing need to also own and operate the project for the long term. Any transfer of title of a selected project or transfer of more than a 50 percent interest in a general partner or member, or change in a nonprofit partner will be considered a material change in the project and will be subject to Minnesota Housing's approval.

Owners wishing to change or transfer ownership must submit a completed Request for Action Form (RFA), Transfer Agreement (HTC 20), a transfer of ownership (see Chapter 8) or RFA processing fee (see Servicing Fee on Minnesota Housing's website), and any other documentation that Minnesota Housing deems necessary.

G. Unacceptable Practices

Transfer of Ownership

1. Unapproved Transfer - Any unapproved change or transfer of ownership from the time of selection or preliminary determination letter throughout the term of the Declaration will have an effect on all individuals/entities from the development and management team on each side of the transfer that submit applications in future HTC rounds. These entities may be penalized as follows.

   For four funding rounds (generally two calendar years) from the date Minnesota Housing discovers an unapproved change or transfer of ownership:

   a. First transfer (negative 10 points on each application submittal)

   b. Two or more transfers (negative 25 points on each application submittal)

2. Failure to notify - Existing tax credit projects that did not have a transfer approval requirement are required to notify the agency of a transfer of ownership throughout the term of the Declaration. Failure to notify the agency will have an effect on all individuals/entities from the development and management team on each side of the transfer that submit applications in future HTC rounds. These entities may be penalized as follows.

   For four funding rounds (generally two calendar years) from the date Minnesota Housing discovers an unapproved change or transfer of ownership:

   a. First transfer (negative 10 points on each application submittal)

   b. Two or more transfers (negative 25 points on each application submittal)

In addition, if Minnesota Housing becomes aware of a transfer of ownership by an individual or entity without proper notification and approval by Minnesota Housing, Minnesota Housing reserves the right to determine that all parties involved in the transfer will not be eligible for participation in Minnesota's HTC program for a period of 10 years.

Failure to Meet Requirements of Points Awarded under Cost Containment Preference Priority
If a project receives points under this preference priority, failure to keep project costs under the applicable cost threshold through 8609 final cost certification will be considered an unacceptable practice and result in negative four points being awarded in all of the applicant's tax credit submissions in the next funding round in which submissions are made. The penalty will be assessed to an application submitted to the same funding round (competitive or 4% Only) for which the points were initially awarded. Tax credit developments that exceed the cost containment threshold and were awarded points in a competitive funding round (Round 1 or Round 2) will receive the penalty on the next tax credit application submitted to either of these competitive funding rounds. Tax credit developments that exceed the cost containment threshold and were awarded points via the 4% Only allocation process will receive the penalty on the next 4% Only (42M) tax credit application if the points were necessary to meet the minimum point requirement.
The applicable cost threshold will be determined by the Revised Cost Containment Methodology located under the 2020 Procedural Manual and Documents.

Displacement of Section 8 Tenants
Minnesota Housing will not accept applications that have displaced (or will displace) Section 8 tenants in a housing project because rents will be increased above the Section 8 Payment Standard Rent limit. Rehabilitation projects that have existing Section 8 tenants may not increase those rents (in Section 8 units only) above HUD's Payment Standard Rents after completion of rehabilitation.

1. Minnesota Housing has agreed to partner with the local HUD area office to determine if tenants of rehabilitation projects:
    a. Were displaced prior to application
    b. Are displaced after rehabilitation has been completed
2. If Minnesota Housing and the local HUD area office agree that intentional displacement of Section 8 tenants has occurred, with exception given to lease violations by the tenant, Minnesota Housing will:
    a. Reduce or rescind the reservation/allocation of the tax credits to the project prior to issuance of 8609
    b. Assess a -25 point penalty to all parties involved in ownership/management of the project for four funding rounds following notification of the assessment of the negative points by Minnesota Housing. This also applies to tax credit projects financed by tax exempt volume limited bonds, owners and managers

Changes to Project
The allocation of tax credits is based upon information provided in the application and the preliminary plans submitted with the application. Until the property is placed in service, any material changes to the project or building design (i.e., changes in unit mix or unit size that affect applicable Design Standards or design features required for preference points) as submitted in the application require written notification to and approval from Minnesota Housing. Any changes require approval by Minnesota Housing and could result in a proportional loss of tax credits up to the full amount of the allocation as well as the assessment of penalty points to the owner/developer of up to -25 points.

Late 8609 Application Submissions Resulting in the Loss of Tax Credit Authority to the State
When Minnesota Housing becomes aware that a late submission of a complete and acceptable 8609 application package by a development's owner/agent results in the loss of any volume of housing tax credit authority to the state of Minnesota, Minnesota Housing reserves the right to determine that all parties involved will not be eligible for future participation in Minnesota's HTC Program for a period of up to 10 years.

Filing of Non-Agency Approved 8609 with the IRS
When Minnesota Housing becomes aware that a development's owner/agent has filed an 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved 8609, or if the owner/agent electronically files an 8609 with the IRS that does not accurately reflect the information contained on the Minnesota Housing signed version of the approved 8609 or the carryover or reservation agreement, Minnesota Housing will file an 8823 Notice of Non-Compliance with the IRS and reserves the right to determine that all parties involved will not be eligible for future participation in Minnesota's HTC Program for up to a period of 10 years. This applies to credits issued by Minnesota Housing, suballocators and in conjunction with tax-exempt volume limited bonds.

Repeated Non-Compliance with Minnesota Housing's Fair Housing Policies, Procedures, and/or Requirements
Repeated failure to comply with Minnesota Housing's Fair Housing policies, procedures, or requirements will be penalized. Minnesota Housing will impose up to a -25 point penalty on future housing credit developments to all parties involved in ownership and/or management on the development(s) that repeatedly are found in non-compliance. The penalty points will be in effect for four funding rounds following notification of the assessment of the negative points by Minnesota Housing. This also applies to tax credit projects financed by tax exempt volume limited bonds, owners, and managers.

Non-Compliance with Minnesota Housing's Compliance Policies, Procedures, and/or Requirements
Failure to comply with Minnesota Housing's compliance policies, procedures, or requirements after repeated notices will be considered an unacceptable practice and result in negative points or ineligibility.

1. On the date of submission of an application for an allocation of tax credits, if the applicant or any party with an identity of interest with the applicant who will have an ownership interest in the proposed development has been issued a notice of failure to comply involving any of the following violations but has not submitted an acceptable plan and timeline to correct by the response due date, the application will receive -25 points under Unacceptable Practices.

    a. Failed minimum set-aside

    b. Any Exigent Health and Safety violation under Uniform Physical Conditions Standards

    c. Owner is charging rent on any HTC unit that exceeds the allowable rent limit

    d. HTC unit rented to an ineligible household (i.e., household not properly certified, over income at initial occupancy, or ineligible full time student)

e. Project not available to the general public or fair housing violation

f. Owner failed to respond to agency request for inspection

2. On the date of submission of an application for an allocation of tax credits, if the applicant or development, 1) has been reported to IRS by Minnesota Housing or a suballocator as no longer in compliance, nor participating in section 42 program on line 11p of IRS form 8823 and has not taken steps to bring the property back into compliance to the satisfaction of Minnesota Housing or the suballocator, or 2) is on Minnesota Housing's or a suballocator's list of Properties Not in Good Standing in the Extended Use Period and has not taken steps to bring the property back into compliance to the satisfaction of Minnesota Housing or the suballocator, the applicant is ineligible to receive an allocation of credits.

H. Minimum Underwriting Standards

A development selected for a reservation or preliminary determination of tax credits is selected based upon underwriting standards, including but not limited to, acquisition costs, maintenance and operating expenses and permanent financing as approved by Minnesota Housing (see Chapter 5), the Minnesota Housing Multifamily Underwriting Standards and the Multifamily Request for Proposal Guide. These factors will be monitored throughout the tax credit process until Minnesota Housing's issuance of the approved IRS Form 8609. **Minnesota Housing will not allow any significant adjustments to these standards.** Not complying with these standards could lead to the revocation of the tax credit allocation.

I. Identity of Interest and Related Parties

The applicant must disclose any and all relationships (generally based on financial interests or family ties) with others involved in the project. A written disclosure to Minnesota Housing detailing the nature of all identity of interest relationships is required for all parties. An entity will be deemed, at the discretion of Minnesota Housing, to have an identity of interest with, or to be a related party to, an applicant if there is a financial or familial relationship between the entities, including parent and subsidiary entities.

J. Disclosure and Eligibility of Development Team

The applicant must disclose on the Multifamily Workbook the names and addresses, including corporate officials where applicable, of all parties that have a significant role in the project (significant parties). These significant parties include, but are not limited to general partners, accountants, architects, engineers, financial consultants, any other consultants, management agents and the general contractor (each team member must complete a Qualification Form.) Minnesota Housing must be satisfied that those who will own and operate the project are familiar with and prepared to comply with the requirements of the program.

The following significant parties are not eligible to participate in the HTC Program:

1. Significant parties who have been convicted of, enter an agreement for immunity from prosecution from, or plead guilty, including a plea of *nolo contendere*, to a crime of dishonesty, moral turpitude, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification or destruction of records

2. Significant parties who are currently debarred from any Minnesota program, other states' program(s), or any federal program(s)

3. At the sole discretion of Minnesota Housing, significant parties who have serious and persistent compliance monitoring violations may not be eligible
4. At the sole discretion of Minnesota Housing, significant parties having an identity of interest with persons or entities falling into any of the above categories may not be eligible.

K. Determination of Credit Amount

Federal law mandates that, although a proposed project may be eligible for up to 70 percent or up to 30 percent present value credit amount, Minnesota Housing may not allocate more credit than is necessary for the financial feasibility of the project and its viability as a qualified affordable housing project throughout the compliance period.

After a project meets the development selection criteria, including marketability, Minnesota Housing will evaluate each proposed project, taking into consideration:

1. Development costs, including acquisition costs, developer fees, and builder profits, contractor overhead and general conditions
2. All sources and uses of funds
3. Projected income and expenses
4. Proceeds expected to be generated from the sale of tax credits, including historic tax credits
5. The difference between total project costs and total available financing resources, which is referred to as the GAP. A calculation is made to determine the amount of tax credits needed by the project to fund the GAP over a 10-year period, based on the estimated market value of the tax credits.

Based on this evaluation, Minnesota Housing will estimate the amount of credit to be allocated for each application. This determination is made solely at Minnesota Housing's discretion and is not a representation as to the feasibility of the project. Rather, it will serve as the basis for making an allocation of credits. The amount of the tax credit can change during the process due to variations in cost, mortgage amount, tax credit percentage, syndication proceeds, etc.

This analysis to determine the maximum amount of tax credits must be performed by both Minnesota Housing and the owner/developer at the time of application, at the time a carryover allocation is approved, and at the time the project is placed in service, providing all project costs are finalized and certified.

If there are changes in resources and/or uses of funds or other material changes, Minnesota Housing will adjust the tax credit amount to reflect the changes, and the tax credit may be reduced. Tax credit amounts will not automatically be increased above the initial reservation request or allocation amount. Requests for additional tax credits for the project must follow the procedures in Chapter 2.L of the manual and will depend upon the availability of credits.

L. Requests for Additional Credit Amounts

Projects that have had a justifiable increase in eligible basis or previously received a partial allocation may be eligible to apply for supplemental tax credit amounts.

For 9% tax credit projects to receive a supplemental tax credit amount, the owner must submit an application when applications are due for Round 1, Round 2 or at the time the carryover application is submitted. Developers who have a Minnesota Housing reservation from the current year will be required to submit a revised Multifamily Workbook, documentation supporting the increased amount of credits requested, an updated and revised Self-Scoring Worksheet-Competitive, any new or revised documentation obtained since the previous application and a supplemental application fee. A complete application package with all attachments and a full application fee will be required for an application for additional tax credits for developments initially awarded tax credits from a suballocator or that have a tax credit allocation from a prior year. Minnesota Housing permits only one supplemental or additional tax credit allocation award for each development. Awards of additional credits requested as part of a carryover application are not counted against this limit.

For 4% tax credit projects to receive an additional credit amount, the owner must submit an application at the time of the 8609 application.

All applications that are submitted for an additional tax credit amount will be subject to the same evaluation process described above, the availability of credits, as well as limitations on the time period for allocation of additional credits under Section 42.

M. Resubmission Process for Non-Select Projects

In a current allocation year, if a project fails to receive 9% credits in Round 1, it may be considered for a reservation of tax credits in Round 2 by following these guidelines. Resubmittal must occur by Minnesota Housing's HTC application deadline. Minnesota Housing will not consider applications resubmitted after the deadline. A resubmitted application must include the following:

1. Cover letter requesting resubmission with a copy of Minnesota Housing's non-selection letter attached
2. Re-signed and re-dated Multifamily Workbook (all changes from the initial application must be clearly identified)
3. Any new or revised documentation obtained since the previous application
4. An updated and revised Self-Scoring Worksheet-Competitive-including all documentation that clearly supports the points claimed
5. Any documentation Minnesota Housing deems necessary (upon request only)
6. The Supplemental Application Fee

Minnesota Housing reserves the right to require a full, new application for any project. This right will be exercised if staff feels the proposed project differs substantially from the initial application.

N. Qualified Census Tracts, Difficult Development Areas and State Designated Basis Boosts

Federal law permits, but does not require, Minnesota Housing to reserve a greater amount of credits than the legislated maximum credit percentage for projects in areas that meet one of the following criteria:

1. **Qualified census tracts (QCT)** designated by HUD in which 50 percent of the population has an income of less than 60 percent of the area median or has a poverty rate of at least 25 percent; where such areas do not comprise more than 20 percent of the overall population (for a current list of the HUD-designated QCTs, go to Minnesota Housing's website under HTC Reference Materials or go directly to the Qualified Census Tract Table Generator or Qualified Census Tract Map).
2. **Difficult development areas (DDA)** designated by HUD as having high construction, land, and utility costs relative to area median income. For DDA information, reference the same website for QCT above.
3. **State Designated Basis Boost**. For projects requesting tax credits from the state's tax credit volume cap. Buildings Designated by State Housing Credit Agency [pursuant to 42(d)(5)(B)(v)]*

   It is the goal of Minnesota Housing to optimize the use of all available sources of funding for multifamily developments, including private investor equity, amortizing loans and deferred loans, to produce the maximum number of affordable rental units in the most sustainable, quality, cost effective and geographically diverse developments possible that meet Minnesota Housing's strategic priorities. Consistent with this goal, the following criteria will be used to determine if, when, and in what amount, Minnesota Housing will provide a basis boost for housing tax credit developments on a building by building basis to obtain financial feasibility.

   a. Development must meet at least one of the following Strategic Priority Policy Thresholds:

      i. Supportive Housing

      ii. Preservation

   b. The application must demonstrate that without the basis boost, a significant funding gap will remain for the proposed development.

   c. The application must demonstrate that any tax credits allocated in connection with the basis boost must be no more than needed to achieve financial feasibility.

*Requests by applicants or developers to Minnesota Housing to apply the 30 percent state designated basis boost must be formally made in writing. The request should clearly outline the reasons supporting the request and clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations.

O. Reservations

Once staff has ranked applications and determined allowable credit amounts for each application, staff will make recommendations to Minnesota Housing's board for final approval of the reservation of 9% tax credits. After the 10-day adjustment period (referenced below), the selected applicant will have 20 days to acknowledge selection by returning the appropriate reservation fee (see Chapter 8).

A development selected for a reservation of tax credits is selected based upon many specific factors relating to the application, including site location. Reservations are site specific. Changing a development's site could lead to the revocation of the tax credit reservation/allocation.

Minnesota Housing's HTC program permits its owners to elect the applicable percentage either at reservation or placed in service. If the election is not made at the time the reservation letter is issued, the percentage will be fixed for the month in which the building is placed in service. The owner must be sure to consider the best options for this election and make sure the election is made at the correct time. Once made, the election is irrevocable. Upon receipt of the required documents, Minnesota Housing will complete its reservation review and send reservation agreements to be executed by the owner. Each reservation must be conditioned upon receipt of written certification, evidence of timely progress toward completion of the project acceptable to Minnesota Housing, and evidence of compliance with federal tax requirements.

Choosing the gross rent floor date as the date of allocation or the date of placed in service can be done at any time from reservation forward, but the election must be made and the completed election form received by Minnesota Housing no later than the date the project is placed in service. If you choose to make the election as of the date of the reservation, submit a fully executed Gross Rent Floor Election Form (HTC 26) including each building of the development in which there are tax credit units. If the required owner-executed forms with all elections made by the owner are not submitted to Minnesota Housing by a date no later than the placed in service date, the gross rent floor date will be effective on the allocation date of the tax credits.

Minnesota Housing maintains the right not to reserve tax credits for any project if it determines, in its sole discretion, that a reservation for such project does not further the purpose and goals as set forth in Chapter 1 of this manual.

P. Administrative Errors/Appeals Process

Applications requesting tax credits from the state's tax credit volume cap can request an appeal. If the applicant believes that Minnesota Housing has misinterpreted, was not aware of a submission item, or miscalculated the applicant's selection points or credit amount at time of application/reservation, the applicant must submit in writing evidence supporting their position within five business days of Minnesota Housing's notification of application status. The applicant's appeal must be written in letter form containing an original signature and stating that the communication is an appeal under Chapter 2.P of the Housing Tax Credit Program Procedural Manual. The appeal letter may be submitted through email to mhfa.htc.appeals@state.mn.us or to:

Minnesota Housing
Housing Tax Credit Administrator
400 Wabasha Street North, Suite 400
St. Paul, MN 55102

An applicant is not permitted to contest the scores of other applicants. Notification will be in the form of a selection or non-selection letter. The first business day after the date on this letter will be the first day of the notification period.

If the evidence provided by the applicant is accepted and the selection points of the project are affected, Minnesota Housing will re-rank all projects in the order of descending selection points. After an additional five-business day period, Minnesota Housing's rankings will stand and reservations for selected projects will be distributed.

Q. Waiting List

In Round 2, eligible applications will be maintained on a waiting list until the end of the year in the event Minnesota Housing receives National Pool credits or returned credits. A project on the waiting list that is awarded its credit request through the subsequent Round 1 will no longer be eligible to receive credits through the waiting list and will be removed from the list. The waiting list will follow Minnesota Housing's selection point ranking. Generally, projects will be chosen in order; however, depending on time and funds available, Minnesota Housing reserves the right to make modifications to the waiting list.

Projects placed on the waiting list must be fully evaluated for underwriting, market and financial viability prior to receiving consideration for a tax credit allocation. A project must satisfy these reviews to be eligible for selection from the waiting list. If an application is not selected for a reservation of tax credits by the end of the calendar year, there will be no further consideration. An applicant currently on the waiting list must submit a completely new application packet in the next funding round, which is a new tax credit year, to receive consideration for a tax credit allocation.

R. Carryover Allocations

Federal law (IRS Regulations 1.42-06 Carryover Allocation) provides that Minnesota Housing may give a carryover allocation to certain qualified building(s), which are to be placed in service no later than December 31 of the second year after the allocation year for which the reservation was issued. To receive a carryover allocation, the owner must submit a complete carryover application package to Minnesota Housing no later than November 1 of the allocation year for which the reservation was issued.

Federal law requires that more than 10 percent of the expected basis in the project (including land) must be expended by the later of the date, which is one year after the date that the allocation is made or the close of the calendar year in which the allocation is made. A written certified public accountant's (CPA) certification must be submitted verifying the owner has incurred required expenditures. As decided by the owner, submission of the CPA certification may be made at the time of carryover application or at a later date as provided for by Section 42 and by the Minnesota Housing Tax Credit Program Procedural Manual. However, the carryover allocation agreement must be executed prior to December 31 of the allocation year for which the reservation was issued.

For a carryover agreement to be valid it must include, among other things:

1. The amount of the reasonably expected basis at the end of the second year after the initial reservation
2. The carryover basis expended by the later of:
    a. The date which is one year after the date that the allocation is made, or
    b. The close of the calendar year in which the allocation is made

If the final CPA certified carryover basis and expenditure information is not available at the time the carryover application is due, an estimate of the expenditure of greater than 10 percent of the expected basis must be performed by the owner and submitted to Minnesota Housing no later than November 1 of the allocation year for which the reservation was issued. The final CPA certifications must be submitted to Minnesota Housing prior to the deadlines established by Section 42 and by no later than Minnesota Housing's submission deadlines identified in Chapter 6.B of this manual. Failure to comply with the submission dates will result in significant penalties as outlined in Chapter 8.E. Additional carryover requirements are given in Chapter 6.B.

Minnesota Housing's HTC program carryover procedures are intended to conform to the federal laws and are based upon the limited guidance received from the IRS. At any time, additional IRS guidance may be issued that will require further adjustments to the QAP and additional reviews of developments relating to carryover.

S. Final Allocations

Except for carryover allocations, no allocation of tax credits will be made until a building or project is placed in service and the proper documentation and fees have been received. The final amount of credits is determined when the project is placed in service.

Final allocations (Form 8609) may be requested when all eligible buildings are placed in service and the proper documentation and fees have been received. Minnesota Housing may establish, at its sole discretion, required deadlines prior to year-end for final allocation requests in order to permit timely processing of documents.

If an owner of a tax credit development does not intend to obtain a carryover allocation, but instead intends to take a project from credit reservation directly to placed-in-service status, an allocation via issuance of 8609 must be obtained prior to year-end of the allocation year for which the reservation was issued. For an 8609 to be issued by Minnesota Housing prior to year-end, the tax credit application for issuance of such 8609s must be submitted to Minnesota Housing on or before November 1 of that year.

A project that has neither received a Carryover Allocation nor has been placed in service and issued appropriate 8609s before December 31 of the year of allocation will lose its entire allocation of credits.

The tax credit amount that will be allocated is based on Minnesota Housing's final determination of the qualified basis for the building or project and a review of the project costs as outlined in the Minnesota Housing Tax Credit Program Procedural Manual. The allocation may be reduced to comply with federal law based on the final review of the project.

Prior to final allocation, the project owner is required to execute and record a Declaration of Land Use Restrictive Covenants.

Non-compliance with the terms of a reservation/preliminary determination of credits or a carryover allocation will result in a loss of credits.

T. Monitoring for Compliance

Federal law requires that Minnesota Housing provide a procedure to be used in monitoring for compliance with Section 42 and for notifying the IRS of noncompliance. Minnesota Housing is required to apply the monitoring procedure to all tax credit projects developed within Minnesota Housing's jurisdiction, including tax credits issued in connection with tax-exempt volume limited bonds since the inception of the HTC program. Minnesota Housing will perform such duties in accordance with its Housing Tax Credit Compliance Manual.

1. All tax credit recipients must submit an annual certification to Minnesota Housing in a manner, form and time established by Minnesota Housing. The certification will include, but is not limited to, the submission of completed IRS forms, compliance report, including demographic data on households and monitoring fees. Owners are required to certify whether or not the property is in compliance with Section 42 regulations and also whether or not the property complies with the restrictions and/or set-asides under which the allocation was awarded.
2. A periodic review of tenant certifications including the tenant applications and verification of income and income from assets, as well as an inspection of the physical condition using HUD's Uniform Physical Conditions Standards, will be conducted in accordance with the Housing Tax Credit Compliance Manual. If a property received its credit allocation based on serving specific targeted population(s), the tenant files must also contain supporting documentation showing that the unit is serving such population(s).
3. Minnesota Housing will conduct its first monitoring inspection no later than the end of the second year of the credit period. Such inspection will include, but is not limited to, a review of tenant files and physical inspection of 20 percent of the low-income units.
4. Minnesota Housing will conduct a compliance inspection of each development at least once every three years during the 15-year compliance period. Less frequent inspections may be conducted after the 15-year compliance period has expired. Such inspection will include, but is not limited to, a review of tenant files and physical inspection of 20 percent of the low-income units.
5. Minnesota Housing must have access to all official project records, including IRS reporting forms, upon reasonable notification. All official project records or complete copies of such records must be made available to Minnesota Housing upon request.
6. To accomplish its compliance monitoring responsibilities, Minnesota Housing will charge a fee of $25 for each unit in the project annually. The fee for properties covered by the Memorandum of Understanding by and between Minnesota Housing and USDA Rural Development is $15 per unit per year. Minnesota Housing reserves the right to adjust the annual fee to offset administrative costs.
7. Minnesota Housing will promptly notify the IRS of any project noncompliance within its responsibility as contained in Section 42. Minnesota Housing has no jurisdiction to interpret or administer Section 42, except in those instances where specific delegation has been authorized.
8. Properties that received a credit allocation in 1990 and later are subject to a minimum 15-year Extended Use Period. Minnesota Housing has defined compliance requirements and monitoring procedures during the Extended Use Period in the Housing Tax Credit Compliance Manual.

U. Qualified Contract

All properties will be subject to a Declaration of Land Use Restrictive Covenants (Declaration) with a term of 30 years or longer. Section 42(h)(6)(E)(i)(II) of the Internal Revenue Code created a provision that housing credit agencies respond to the request for presentation of a qualified contract for tax credit developments with expiring compliance periods. The request for presentation of a qualified contract is a request that the housing credit agency find a buyer (who will continue to operate the property as a qualified low-income property) to purchase the property for a qualified contract price pursuant to IRS regulations. If the housing credit agency is unable to find a buyer within one year, the extended use period is terminated, subject to a three-year period following its termination where existing low income tenants cannot be evicted or tenancy terminated for other than good cause and rents cannot exceed the allowable tax credit rent limits.

Owners of properties that receive 9% credits are required by Minnesota Housing to waive the right to request a qualified contract for a minimum of 30 years. Some owners of 9% properties have agreed to extend the term of the declaration and waive their right to Qualified Contract up to 40 years.

Owners of properties that receive 4% credits are required to waive their right to request a qualified contract for a minimum of 20 years, which means the request for presentation of a qualified contract may not occur until after year 19. Some owners of properties that receive 4% credits have agreed to waive their right to Qualified Contract for a longer period and in some cases extend the term of the declaration. Owners should review the respective QAP, development tax credit application, carryover agreement, and the Declaration to determine whether the development is eligible to request a Qualified Contract prior to contacting Minnesota Housing.

A Request for Qualified Contract may be submitted only once for each development. If an owner rejects an offer presented under the Qualified Contract or withdraws its request at any time after the notification letter and application materials have been received by Minnesota Housing, no other opportunity to request a Qualified Contract will be available for the development in question.

Owners who are contemplating requesting the presentation of a Qualified Contract should directly contact a member of Minnesota Housing's tax credit team or reference the Qualified Contract Guide.

V. Tenant Selection Plan

Minnesota Housing requires that a Tenant Selection Plan (Plan) be readily available to anyone interested in such Plan for review and/or retention. Minnesota Housing will not develop or provide such a Plan to owners or management companies. See Minnesota Housing's Tenant Selection Plan Guidance.

W. Other Conditions

No member, officer, agent or employee of Minnesota Housing will be personally liable concerning any matters arising out of, or in relation to, the allocation and monitoring of tax credits.

X. Revisions to the Manual and Allocation Plan

To the extent necessary to facilitate the award of tax credits that would not otherwise be awarded, this Procedural Manual and associated QAP may be modified by Minnesota Housing from time to time. Minnesota Housing may make minor administrative modifications deemed necessary to facilitate the administration of the HTC program or to address unforeseen circumstances. Further, the Minnesota Housing board is authorized to waive any conditions that are not mandated by Section 42 on a case-by-case basis for good cause shown.

A written explanation will be made available to the general public for any allocation of a housing credit dollar amount that is not made in accordance with Minnesota Housing's established priorities and selection criteria.

The QAP may be amended for substantive issues at any time following public notice and public hearing. Public hearings are held at Minnesota Housing's main offices in St. Paul, Minnesota. Any substantive amendments will require approval of the Minnesota Housing board and the governor.

To the extent that anything contained in the Housing Tax Credit Program Procedural Manual and the QAP does not meet the minimum requirements of federal law or regulations, such law or regulation, will take precedence.

Chapter 3 – Federal Program Requirements

A. Eligible Activities

Eligible activities for tax credits include new construction, rehabilitation or acquisition with rehabilitation.

B. Applicable Percentage

There are two levels of applicable percentage, depending upon whether the building is new or existing, whether there are rehabilitation expenditures and whether the buildings are federally subsidized.

1. **New Buildings and Qualifying Rehabilitation Expenditures (if neither is federally subsidized):** With respect to new buildings or qualifying rehabilitation expenditures which are not subsidized, the applicable percentage is an amount resulting in aggregate credits having a present value of 70 percent of qualified basis. Traditionally, this has resulted in a credit percentage of approximately 9 percent.
2. **New Buildings and Qualifying Rehabilitation Expenditures that are Federally Subsidized and Existing Buildings:** With respect to new buildings and qualifying rehabilitation expenditures which are federally subsidized and the acquisition of existing buildings that are rehabilitated, the applicable percentage is an amount which results in aggregate credits having a present value of 30 percent of qualified basis. Traditionally, this has resulted in a credit percentage of approximately 4 percent.

The 9 percent and 4 percent credit percentage represents the maximum potential rate.

Section 42(b)(2)(A) and (B) of the Internal Revenue Code established a temporary minimum credit rate for non-federally subsidized buildings. In the case of any new building which is placed in service by the taxpayer after July 30, 2008 and before December 31, 2013, and which is not federally subsidized for the taxable year, the applicable percentage shall not be less than 9 percent. On December 18, 2015, the Protecting Americans from Tax Hikes (PATH) Act of 2015 was signed into law. The Act permanently extended the fixed 9 percent HTC credit rate.

The Act amended Subparagraph (A) of section 42(b)(2) which established a temporary minimum credit rate for non-federally subsidized new buildings. The Act as amended provides, in the case of any new building — (A) which is placed in service by the taxpayer after the date of the enactment of this paragraph [42(b)(2)(A)], and (B) which is not federally subsidized for the taxable year, the applicable percentage shall not be less than 9 percent.

Applicants are strongly advised to consult closely with their tax credit professionals (legal and tax) for guidance with respect to structuring a project to use either the 9 percent or the 4 percent tax credit.

C. Qualifying Rehabilitation

Rehabilitation expenditure requirements are established both by state and federal law.

Under Section 42(e), rehabilitation expenses qualify for the credit if the expenditures for each building:

1. Are able to be allocated to one or more low-income units or substantially benefit low-income units; and

2. Are equal to the greater of:
   a. An average qualified basis amount per low-income unit for a building which meets the inflation adjusted amount published by the IRS annually in accordance with Section 42(e)(3)(D); or
   b. An amount that is not less than 20 percent of the adjusted basis of the building, as determined pursuant to Section 42(e)(3).

In addition to the Section 42(e) requirements, Minnesota Statutes Section 462A.221, Subdivision 5, requires rehabilitation expenditures for the project of an average of $5,000 per unit.

It is necessary to acquire an existing building in order to incur qualifying rehabilitation expenditures with respect to that building. In such a case, the costs of acquiring the existing building may be eligible for the 30 percent present value credit and the rehabilitation expenditures may be eligible for the 70 percent present value credit.

D. Existing Buildings

In order for an existing building to qualify for the 30 percent acquisition credit in connection with rehabilitation, there must have been a period of at least 10 years between the date the building was acquired and the date it was last placed in service.

Please note that the 10-year rule also applies to existing tax credit projects applying for a new allocation of acquisition credits at the end of the original 15-year compliance period.

E. Exception to the 10-Year Rule

Exceptions to the 10-year rule are provided in Section 42(d)(6) for federal or state assisted buildings, certain low-income buildings subject to mortgage prepayment and buildings acquired from insured financial institutions in default. Certain other situations are exempt from the 10-year rule, such as:

1. A person who inherits a property
2. A government unit or qualified nonprofit group if income from the property is exempt from federal income taxation
3. A person who gains a property through foreclosure (or instrument in lieu of foreclosure) of any purchase money security interest, provided the person resells the building within 12 months after placing the building in service following foreclosure
4. Single family residences that had no use during the prior 10-year period except, as an owner-occupied principal residence will not be treated as being placed in service for purposes of the 10-year holding period. Note that although the 10-year rule does not apply, the property must still be rehabilitated to claim the acquisition costs of such a property.

F. Federal Subsidies

The determination of whether a building is federally subsidized is addressed in Section 42(i)(2). In general, a building is treated as federally subsidized if there is financing the interest on which is exempt from tax under Section 103 of the Internal Revenue Code, the proceeds of which were used (directly or indirectly) in the building or its operation.

Federal grants are not to be taken into account in determining eligible basis. The eligible basis of a building must not include any costs financed with the proceeds of a federally funded grant.

Owners of a property receiving a federal subsidy have the option of treating the subsidy amount as if it were a federal grant and deducting the amount of the subsidy from the qualified basis or costs against which the amount of the credit is calculated.

G. Review of Federally Assisted Projects

Minnesota Housing will review projects using Rural Development Section 515 Rural Housing Loan funds in accordance with Minnesota Housing's currently approved underwriting practices and procedures. So as to achieve a coordinated underwriting to the extent reasonably possible, it is the responsibility of the applicant to provide Minnesota Housing with available underwriting requirements and other requirements for the project that have been established by Rural Development. Prior to issuance of the IRS Form 8609, the applicant must submit to Minnesota Housing a copy of RD Form 3560-51, Multiple Family Housing Obligation – Fund Analysis for reference in the determination of the final allocation of tax credits to a project.

H. Federal Subsidy Layering Review

Section 911 of the Housing and Community Development Act of 1992 requires that specific procedures be followed for subsidy laying review when tax credits and HUD assistance are combined in a single project. Sponsors of projects that combine HUD assistance and tax credits should be aware that a subsidy layering review must be completed for their projects, and should contact Minnesota Housing to receive additional information prior to submitting their application.

Suballocators are responsible for ensuring that subsidy layering reviews are completed for developments within their jurisdiction where they are the housing credit allocating agency.

Subsidy layering review is required for the following programs, but not limited to:

1. Metropolitan Housing Opportunity Program (MHOP)
2. U.S. Housing and Urban Development (HUD) Risk Share Insurance
3. Section 8 Project-Based Rental Assistance
4. Home Investment Partnership (HOME)
5. National Housing Trust Fund (NHTF)

At a minimum, the following documents must be submitted:

1. Partnership (Syndication) Agreement, spelling out the equity contributions and dates of disbursement; and
2. Copy of the Multifamily Workbook

I. Project Eligibility

Applicants must set aside a minimum number of units that meet both rent and income restrictions to qualify for tax credits for each year of the credit period. A project must, for a specific period of time, meet one of the following minimum tests:

1. **20/50 Test**: To meet the 20/50 test, a minimum of 20 percent of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 50 percent Multifamily Tax Subsidy Project limits (MTSP income limits), as established for different geographical areas and published by the U.S. Department of Housing and Urban Development (HUD), adjusted for family size.
2. **40/60 Test**: To meet the 40/60 test, a minimum 40 percent of the residential units must be both rent restricted and occupied by individuals whose income is at or below the 60 percent MTSP income limits, adjusted for family size.

Once made, the choice between the 20 percent at 50 percent and the 40 percent at 60 percent set-asides is irrevocable.

NOTE: The actual number of restricted units within the project must be consistent with the initial applicable fraction selected at the time of application. Also, IRS defines each building as a separate project unless owner elects to treat certain buildings as a multiple-building project on IRS form 8609. See the instructions for making a multiple-building election on form 8609.

J. Affordable Rents

The rent restrictions for the units are governed by Section 42 and regulations, rulings and other announcements by the IRS. The following summary is not intended to be comprehensive. A violation of the tenant income or rental restrictions in Section 42 may result in project ineligibility or a reduction in basis and/or credit amount.

For a unit to count as a low-income unit, the gross rent may not exceed 30 percent of the imputed tenant income limitation. The imputed income limitation applicable to a unit equals the permissible income limitations that would apply if the number of individuals occupying the unit were:

1. One individual in the case of a studio apartment; and
2. 1.5 individuals per bedrooms in the case of a unit with one or more separate bedrooms.

Therefore, the rent restrictions applicable to a low-income unit are determined by which test is elected and how many bedrooms are contained in the unit. Current income limits, as derived from HUD, for Minnesota counties are described in the Rent and Income tables found in the Multifamily Common Application Reference Materials section.

For tax credit compliance purposes, gross rent means all payments by the tenant, including non-optional charges and payments for utilities other than telephone and cable. If the tenant pays utilities directly, the maximum rent that can be paid to the landlord is reduced by a utility allowance determined in accordance with rules under Section 8 of the U.S. Housing Act of 1937 (Section 8). IRS Regulations (Section 1.42-10 Utility Allowance, as amended) provides guidance relating to Utility Allowances and lays out options for establishing them.

The following is a summary of the sources of utility allowances:

1. USDA Rural Housing Service (RHS) financed projects, or units with tenants receiving RHS assistance, must use the RHS utility allowance.
2. HUD regulated buildings must use the HUD utility allowance (project based HUD financing).
3. Any individual apartments occupied by residents who receive HUD assistance (Section 8 Existing, etc.), must use the HUD utility allowance from the Public Housing Authority (PHA) administering the assistance.
4. For Section 42 buildings without RHS or HUD assistance, the following options may be used:
   a. A PHA utility allowance from the local housing authority administering section 8 vouchers for the area in which the property is located.
   b. A utility company estimate.
   c. An “Agency Estimate” based on actual utility usage data and rates for the building.
   d. A HUD Utility Schedule Model.
   e. An Energy Consumption Model using an energy and water and sewage consumption and analysis model.

The Housing Tax Credit Compliance Manual provides additional information and instructions for utility allowances.

Federal, state and local rental assistance payments (such as Section 8 payments) made on behalf of the tenant are not included in gross rent.

Additional rent restrictions may apply if the award of tax credits was made based on such additional restrictions.

K. Tenant Eligibility

To be a low-income unit for purposes of determining the qualified basis, the tenant must have income at or below 50 percent of the applicable MTSP income limits if the 20/50 test is elected or 60 percent of MTSP income limits if the 40/60 test is elected. The unit must be rent restricted as set forth above, and the unit must be suitable for occupancy.

The combined household income of all tenants occupying a tax credit eligible unit must be less than or equal to the elected income requirements as shown on Rent and Income Limits.

Section 42 does not allow households comprised of full-time students to qualify as low-income units unless certain exceptions are met. There are five exceptions to the limitation on households where all members are full-time students. Full-time student households that are income eligible and satisfy one or more of the following conditions are considered eligible:

1. Students are married and entitled to file a joint tax return. A married couple that is entitled to file a joint tax return, but has not filed one, still satisfies the exception.
2. The household consists of a single-parent with child(ren) and the parent is not a dependent of someone else, and the child(ren) is/are not dependent(s) of someone other than a parent;

3. At least one member of the household receives assistance under Title IV of the Social Security Act (formerly Aid to Families with Dependent Children (AFDC), now known as Temporary Assistance for Needy Families (TANF), or in Minnesota, the Minnesota Family Investment Program (MFIP));
4. At least one member of the household participates in a program receiving assistance under the Job Training Partnership Act (JTPA) or other similar federal, state, or local laws; or
5. At least one member of the household was previously in foster care.

See Chapter 17 of the Guide for Completing Form 8823, Low-Income Housing Credit Agency's Report of Noncompliance or Building Disposition, for additional guidance.

L. Eligible Basis

In general, the eligible basis of a building is equal to the building's adjusted basis for acquisition, rehabilitation or construction costs for the entire building, subject to certain conditions and modifications set forth in Section 42(d). As a general rule, the adjusted basis rules of Code Section 1016 apply, with the exception that no adjustments are made for depreciation. Some of the special provisions for determining eligible basis under Section 42(d) are:

1. The eligible basis may be increased for new buildings and rehabilitation to existing buildings that are located in designated qualified census tracts (QCT), difficult development areas (DDA) or in developments utilizing the state designated basis boost.
2. The cost of the non-low-income residential units in a building is included in eligible basis only if the quality of those units does not exceed the average quality of the low-income units. If the cost of a non-low-income unit exceeds the cost of a low-income unit (using the average cost per square foot and assuming the same size) by more than 15 percent, the entire cost of the non-low-income unit must be excluded from the building's eligible basis. If the excess cost is not more than 15 percent, the owner may make an election to exclude only the excess cost of the non-low-income unit(s) from eligible basis.
3. The cost of depreciable property used in common areas or provided as comparable amenities to all residential units (e.g., carpeting and appliances) is included in determining eligible basis. The cost of tenant facilities (e.g., parking, garages, and swimming pools) may be included in eligible basis if there is no separate charge for use of the facilities and they are available to all tenants in the project.
4. The cost of a community service facility is included in basis only if the building is located in a QCT. The eligible basis of that facility must not exceed 25 percent of the first $15 million of eligible basis plus 10 percent of additional basis in the project. All community service facilities that are part of the same qualified low-income housing project will be treated as one facility. A community service facility is defined as a facility that is part of the qualified low-income housing project designed to serve primarily individuals including tenants and non-tenants whose income is 60 percent or less of area median income. Only limited guidance has been issued by the IRS regarding these changes. No assurances can be given that additional IRS guidance will not require further adjustments to the QAP and additional reviews of selected developments.
5. Eligible basis is reduced by federal grants, residential rental units that are above the average quality standard of the low-income units, historic rehabilitation credits, and nonresidential

rental property. Buildings located in areas designated as a QCT, DDA or developments utilizing the state designated basis boost may be eligible for an increase in allowable basis.

M. Qualified Basis

Qualified basis is the portion of the eligible basis applicable to low-income housing units in a building. Qualified basis is the product of a project's eligible basis multiplied by the applicable fraction.

N. Applicable Fraction

The applicable fraction is the lesser of:

1. The unit fraction, which is the number of low-income units in a building divided by the total number of residential rental units; or
2. The floor space fraction is the total floor space of the low-income units in the building divided by the total floor space of the residential rental units in the building.

A full time resident manager's unit is not considered a residential unit and must not be included in the numerator or denominator for calculating the applicable fraction.

Throughout the planning, construction and placed in service periods, the applicable fraction has different nuances. At initial application and at carryover, the **estimated project applicable fraction** will be used. It is an approximate goal that the developer is striving to attain. It is calculated by project in order to obtain a rough estimate of the percentage of eligible units and square footage needed and an estimate of the total amount of tax credits necessary for a particular project.

At the time that the placed in service application for 8609 is made, the **targeted applicable fraction for each building** is calculated. The targeted applicable fraction is determined on a building-by-building basis. Each building in a multiple building development could have a different applicable fraction. Because the estimated project applicable fraction is approximate, the targeted applicable fraction calculated by building will frequently differ unless the project has a 100 percent applicable fraction. The targeted applicable fraction is also listed as part of the extended use criteria in the Declaration of Land Use Restrictive Covenants, which is recorded and remains with the property.

O. Economically Integrated Projects

Project Economic Integration

Projects under common ownership and management that have tax credit units and market rate units are considered to be economically integrated. These projects receive priority points for. (See Areas of Opportunity selection category #3, Self-Scoring Worksheet(s)). In an economically integrated project, each building must have an applicable fraction of less than 100 percent. Unless otherwise approved by Minnesota Housing, all buildings must have comparable applicable fractions with necessary variations due to building size. Tax credit selection points will generally be based upon the characteristics of only the tax credit units.

NOTE: The actual number of restricted units within the project must be consistent from selection, through carryover and to approval of an 8609 and maintained throughout the term of the Declaration.

Community Economic Integration
Projects located in certain higher income communities (outside of rural/tribal designated areas) that are close to jobs are also considered to promote economic integration and may be eligible for points in the Self-Scoring Worksheet(s).

P. Annual Credit Amount

The tax credit is available each year for 10 years. The amount of tax credit awarded is based on the Qualified Basis multiplied by the applicable percentage. However, Section 42(m)(2) requires Minnesota Housing to limit the amount of credit to the amount necessary to ensure project feasibility under rules established by the IRS; therefore, the actual amount of tax credits awarded could be less than the maximum allowable if the analysis reveals the project would still be feasible with fewer tax credits.

The IRS publishes the applicable percentages on a monthly basis. These figures are used to calculate the maximum allowable annual credit amount for which the project will be eligible. (Also see Chapter 3.B.)

Q. Declaration of Land Use Restrictive Covenants

As a condition of receiving tax credits, a project will be subject to a Declaration of Land Use Restrictive Covenants (Declaration) between the owner and Minnesota Housing through which the owner commits the building(s) to low-income use for an extended use period of at least 15 years after the conclusion of the 15-year compliance period (a total of 30 years). The owner can elect to extend the term of the declaration and Section 42 income and rental restrictions up to 40 years.

The Declaration terminates upon:

1. Foreclosure of the building (or deed in lieu of foreclosure) unless the Secretary determines that such acquisition is part of an arrangement with the taxpayer a purpose of which is to terminate such period; or
2. During the extended use period and, unless waived or conditioned in the Declaration, upon failure of Minnesota Housing to find a purchaser by the end of one year after a request by the owner to Minnesota Housing to find a purchaser for the low-income portion of the building, at a statutory minimum purchase price, unless the owner has waived its right to exercise their option.

Throughout the term of the Declaration and for a three-year period after the termination of the Declaration, the owner must not evict or terminate the tenancy of an existing tenant of any low-income unit other than for good cause and must not increase the gross rent above the maximum allowed under the Code with respect to such low-income unit.

The Declaration must be recorded in accordance with 42(h)(6) as a restrictive covenant and submitted to Minnesota Housing prior to Minnesota Housing issuing the allocation (IRS Form 8609). The Declaration will set forth the commitments made by the owner to Minnesota Housing in obtaining points, including any additional requirements placed upon the building at the time of reservation. Non-compliance with these additional conditions may result in serious penalties being applied to the owner entities that could result in a ban on future allocations of tax credits being made to the owner entities.

R. Ineligible Properties

Any residential rental unit that is part of a hospital, nursing home, sanitarium, life care facility, manufactured housing park or intermediate care facility for the mentally and physically handicapped is not for use by the general public and is not eligible for credit under section 42. Projects with buildings having four or fewer residential units must comply with 42(i)(3)(c).

S. Passive Loss Restrictions

There is a limit on the amount of credit any individual may effectively use due to passive loss restrictions and alternative minimum tax provisions. Consult your tax attorney or accountant for clarification of this regulation.

T. State Volume Limits

Each state is limited to the amount of tax credits it may allocate annually. An estimate of Minnesota's annual per capita volume limit is published each April.

Projects financed by tax exempt volume limited bonds which are subject to a separate volume limitation, are not counted against the state tax credit volume limit. (See Article 8 of the QAP and Chapter 7 of the Manual for further details.)

U. Recapture

Minnesota Housing reserves the right to recapture tax credits from projects that do not provide evidence satisfactory to Minnesota Housing of progress toward completion of the project in accordance with the project schedule (submitted at initial application and updated at carryover), or noncompliance with the terms of the allocation.

Part of the credit will also be recaptured if the qualified basis at the close of any year is less than the amount of such basis at the close of the preceding taxable year, or if the minimum number of qualified low-income units is not maintained for the complete extended use period.

V. Market Study

Internal Revenue Code Section 42(m)(1)(A)(iii) requires that a comprehensive market study of the housing needs of low-income individuals in the area to be served by a developer's housing credit project must be conducted by a disinterested party, at the developer's expense, who is approved by the housing credit agency (refer to the Market Study Guidelines on Minnesota Housing's website).

W. Tenant Ownership

Minnesota Housing will review projects incorporating tenant ownership provisions in accordance with Sec. 42 (h)(6), IRS Revenue Ruling 95-49 and Minnesota Housing's requirements. Minnesota Housing requires that developments proposing an Eventual Tenant Ownership (ETO) component must have 100 percent of the development's tax credit units specified for this ownership component. (See also Chapter 6.A.)

X. Contract Compliance, Equal Opportunity and Fair Housing Policy

It is the policy of Minnesota Housing to practice affirmative action to provide equal opportunity in all of our projects, programs, and other endeavors. Minnesota Housing's goal is to achieve a client and recipient mix that is representative of the people who live in our state and our communities so that all employment and contractual benefits that develops as a result of our programs will be shared by all Minnesotans. This policy applies to all Minnesota Housing employees and Minnesota Housing's external partners.

Purpose

The purpose of this policy is to make Minnesota Housing's commitment to act affirmatively to achieve equal opportunity in all facets of its operation, clear to both internal staff and outside parties with whom we do business.

Goals

Our goal is to ensure minority and female contractors and subcontractors equal access to business opportunities on Minnesota Housing financed projects and to encourage the presence of minorities and women at all levels, including on the staffs of the program participants having contractual agreements with Minnesota Housing. Minnesota Housing's goal is to ensure that the workforces on the projects and programs we finance reflect demographically the area in which they are located. These goals will apply for the length of the contract or the life of the mortgage. Minnesota Housing, at its discretion, may set numerical or percentage goals dependent on the location and size of a given project. Current goals will be determined by staff based on the location of the project.

Requirements

Minnesota Housing is required to comply with all applicable local, state, and federal laws. These requirements are passed on to everyone that Minnesota Housing does business with, either by contractual agreement or as a Minnesota Housing policy.

Sanctions

Minnesota Housing has the contractual authority to demand full payment of any loan or grant, stop proceeding with any project at any stage, and cease to do business with any entity or individual that fails to follow its affirmative action policies or fails to meet its/his/her contractual equal opportunity obligations.

Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, sexual orientation, or gender identity.

Minnesota Housing's fair housing policy incorporates the affirmative fair housing marketing practices addressed in Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, which states that it is unlawful to discriminate in the sale, rental, and financing of housing based on race, color, religion, sex, handicap, familial status or national origin; as well as the fair housing protections provided by the Minnesota Human Rights Act, which adds creed, marital status, status with regard to public housing, and sexual orientation.

In part, regarding rental housing issues, Title VIII and the Human Rights Act makes it unlawful to: (i) discriminate in the selection/acceptance of applicants in the rental of housing units; (ii) discriminate in terms, conditions or privileges of the rental of a dwelling unit; (iii) engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit; (iv) make or publish (or have anyone else make or publish) advertisements that indicate preferences or limitations based on race, etc.; (v) tell a person that because of race, etc., a dwelling unit is not available when it is; and (vi) deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation.

Minnesota Housing has a commitment to affirmatively further fair housing for members of the disabled communities by promoting the accessibility requirements set out in the Fair Housing Amendment Act of 1988, which establish design and construction mandates and provide for the residents' right to make reasonable accommodations under certain conditions. (Applicable to covered multifamily dwellings, which are buildings consisting of 4 or more units if such buildings have one or more elevators. It is also applicable to ground floor dwelling units in other buildings consisting of 4 or more dwelling units.)
All Minnesota Housing programs require owners to market affirmatively, using specific steps geared to the particular program. These steps include:

1. Outreach to all groups protected by the Civil Rights Act of 1968, as amended in 1988, and those protected by the Minnesota Human Rights Act
2. Affirmative marketing strategy that reaches protected groups
3. Self-analysis to make sure all steps are non-discriminatory
4. Upon request by Minnesota Housing, the submission of reports and documents that confirm the owner's fair housing efforts

Affirmative Fair Housing Marketing Regulations, held as centrally important by Minnesota Housing, require that each applicant carry out an affirmative marketing program to attract prospective buyers or tenants in the housing market area who are least likely to apply, regardless of race, creed, color, religion, sex, national origin, marital status, status with regard to public assistance, disability, sexual orientation, gender identity, or familial status. At the time of 8609, all applicants must submit an Affirmative Fair Housing Marketing Plan (AFHMP) documenting an acceptable plan to carry out an affirmative marketing program. Throughout the Extended Use Period, owners must regularly update their AFHMP and maintain a copy with their property records.

Y. Occupancy Restrictions

Under the HTC general public use regulations, residential rental units must be for use by the general public, which incorporates HUD housing policy governing non-discrimination. Residential units provided only for a member of a social organization or provided by an employer for its employees are not considered for use by the general public are examples of restrictions not allowed under the HTC program. Minnesota Housing has an obligation to affirmatively further fair housing, and occupancy restrictions must comply with the Fair Housing Act and the Minnesota Human Rights Act. Projects must also comply with any occupancy limitations imposed by any additional source of funds provided by Minnesota Housing. Age-related occupancy restrictions or preferences will be approved only if set out in the QAP or if the property qualifies as housing for older persons under the Fair Housing Act and the Minnesota Human Rights Act.

Chapter 4 – Development Standards

All applications to Minnesota Housing for tax credits will be evaluated according to the following standards (small projects, local Community Development Initiative projects, and projects developed in difficult-to-develop areas may be considered eligible for variances from these standards, if justified).

A. Project Cost Reasonableness

Minnesota Housing will evaluate the costs of each proposed project in comparison to current comparable projects to determine whether the proposed costs are reasonable, taking into consideration unique characteristics of the project and its comparability to similar projects. Additional documentation will be required if the proposed costs are not comparable or reasonable.

Minnesota Housing will use its predictive cost model to test cost reasonableness for all projects. The model uses cost data from tax credit properties, industry cost data from RSMeans and regression analysis to predict total project costs. Based on a project's characteristics (building type, building characteristics, project size, project location, population served, financing, etc.), the model predicts the total development costs.

Minnesota Housing will evaluate the cost reasonableness of proposed acquisition costs through an as-is appraisal. The as-is appraisal will be ordered by Minnesota Housing and all costs will be the responsibility of the applicant. (See Chapter 6A and Chapter 8). Appraisals will be considered expired by Minnesota Housing one year after the effective date of the report. (Refer to the Multifamily Underwriting Standards for additional details.)

The Agency reserves the right to reject applications that appear, at Minnesota Housing's sole discretion, to have excessive costs, or to size its award based on the lesser of the option/purchase agreement purchase price or the appraised value of the property.

B. Eligible Basis Tax Credit Fees

Minnesota Housing will limit the amount of developer fees and general contracting fees (Contractor's Profit, General Requirements, Contractor's Overhead) based on the requirements contained in the Multifamily Underwriting Standards for the purposes of calculating eligible basis to determine the amount of tax credit.

Syndication related consultant fees are not to be included in the eligible basis of the project.

C. Reserves/Contingencies

Minnesota Housing will require documentation of the amount and disposition of reserves/contingencies. If they revert back to the developer, general partner, or any ownership interest, Minnesota Housing will consider the reserves/contingencies as deferred developer fees and the above limits will apply. For letters of credit, bonds, etc., use the actual cost, not face value, when completing the development cost section of the Multifamily Workbook.

D. Comparative Analysis

Notwithstanding these Development Standards and the Selection Criteria within this manual and the QAP, each and every proposed project is analyzed on a comparative basis in a variety of categories to ensure the highest value for the tax credits allocated.

E. Property Standard

Minnesota Housing encourages sustainable, healthy housing that optimizes the use of cost effective durable building materials and systems and that minimizes the consumption of natural resources during construction, and in the long-term, maintenance and operation.

All completed developments **must** comply with the Minnesota Overlay to the Enterprise Green Communities Criteria and Minnesota Housing's Rental Housing Design/Construction Standards.

Additional design requirements will also be imposed if a developer claims and is awarded Large Family or Universal Design Points on the Self-Scoring Worksheet(s). To satisfy the Large Family Points on the Self-Scoring Worksheet(s), all of the units included in the application/development must meet the following minimum dimensions:

1. Living room: 11 feet 6 inches
2. Bedrooms: 9 feet 6 inches, and 100 sq. ft. in area

The owner and architect must certify compliance with all required Minnesota Housing Rental Housing Design/Construction Standards, and where points have been awarded, that all the applicable standards and development features have been incorporated into the final working plans.

Chapter 5 – Project Selection

A. First Round - Application Requirements

All applicants statewide applying for a portion of the states' tax credit volume cap must meet one of the minimum threshold types as defined in Article 5 of the QAP. Greater Minnesota projects should also refer to the sample Threshold Letter in the Housing Tax Credits Application Reference Materials section on Minnesota Housing's website for a suggested format relating to evidencing thresholds. In meeting the requirements of thresholds, fractions of units are not counted as a whole unit. Where unit percentage calculations result in a fraction of a unit being required, the fraction of a unit must be rounded up to the next whole unit.

In the final competition, projects that previously received an allocation of tax credits will receive priority in accordance with the provisions of Article 5 of the QAP.

B. Strategic Priority Policy Threshold

To be eligible for tax credits, from the state's volume cap under Minnesota Housing's QAP or non-competitive tax credits, except as set out in Chapter 7, a developer must demonstrate that the project meets at least one of the Strategic Priority Policy Thresholds defined in Article 9 of the QAP**.**

C. Scoring

Minnesota Housing will first rank proposals in accordance with the Selection Priorities and Preference Points contained in the Self-Scoring Worksheet and, if necessary, Chapter 5.D Tie-Breakers, below. The highest-ranking proposals based on the selection priorities and preference points will then be reviewed in accordance with the following Project Selection requirements described in E through K of this chapter. Minnesota Housing reserves the right to reject applications not meeting these project selection requirements or to revise proposal features, and decrease associated scoring, to ensure the project meets the requirements. Lower ranking proposals will only be processed further if tax credit volume cap remains available after the higher-ranking proposals are processed.

D. Tie Breakers

If two or more proposals have an equal number of points, the following will be used to determine selection:

1. First tie breaker: Priority will be given to the project with the greater number of points in Preference Priority criteria; if a tie still remains;
2. Second tie breaker: Priority will be given to a project located in a city, township or Tribal Reservation that has not received tax credits in the last two years; if a tie still remains;
3. Third tie breaker: Priority will be given to the project with the highest Percentage of Funds Secured, Awarded or Committed, as measured by the Financial Readiness to Proceed/Leveraged Funds selection criterion; if a tie still remains;
4. Fourth tie breaker: Priority will be given to the project with the lowest percentage of intermediary costs as measured by the Intermediary Costs selection criterion; if a tie still remains;
5. Fifth tie breaker will be by lot.

See Article 10.1 and 10.2 of the QAP for additional information on which scoring criteria qualify as selection and preference priorities.

E. Market Review

Minnesota Housing will conduct a market review to determine the housing needs of low-income individuals in the area to be served by the project. Minnesota Housing will evaluate the Market Study and in-house occupancy data to determine the marketability of the proposed project. For market consideration, applicants are responsible for providing evidence to document market feasibility at the time of application. Minnesota Housing may contact the applicant if there is a question as to the marketability of the proposed projects. The applicant may be given an opportunity to adjust the unit mix and/or number of units and resubmit prior to Minnesota Housing scoring of selection priority points.

Proposed projects that do not appear marketable and do not modify their proposal will not receive further consideration in the current funding round.

F. Design Review

The proposed owner and architect must certify compliance with all the required development features outlined in Chapter 5 of the Minnesota Housing Rental Housing Design/Construction Standards before the project will be scored and ranked. (Refer to Chapter 4.E. Property Standard of this manual.)

G. Development Team Review

Minnesota Housing will also consider the following factors when evaluating an application for a tax credit allocation:

1. The ability and capacity of the development team to proceed expeditiously to complete the proposed development
2. The prior record of the development team in meeting Minnesota Housing and IRS reporting requirements
3. The experience of the development team in developing and managing similar residential housing

Proposed projects from applicants that do not appear to have the experience, capacity or ability will not receive further consideration in the current funding cycle.

H. Site Review

Minnesota Housing staff will conduct a site inspection for each project passing all the project selection requirements described in parts A through G of this chapter for consistency with the principles of sound, affordable housing developments. Site inspections will be conducted to analyze physical characteristics; the surrounding property and community; the location of schools, shopping, public transportation, employment centers, community and housing service facilities; availability of utilities, water and sewage treatment facilities; and the suitability of the site for the proposed housing.

For purposes of Minnesota Housing’s investment in affordable housing, the principles are as follows:

1. **Linkage**: Housing development should be part of a comprehensive community development effort that links housing, jobs, transportation, recreation, retail services, schools, and social and other services.

2. **Jobs**: Housing is part of the infrastructure necessary to sustain economic vitality. New housing should be located near jobs and in areas of job growth and should address housing needs of the local work force. Preference will be given to proposals that provide housing in communities with job growth.
3. **Land Use**: Housing must be developed to maximize the adaptive reuse of existing residential rental buildings and the use of existing infrastructure, where financially feasible. In cases of new developments, housing that maximizes the efficient use of land and infrastructure and minimizes the loss of agricultural and green space.
4. **Transportation**: Housing must be developed near regional and interregional transportation corridors and transit ways.

Minnesota Housing will consider, but is not limited to, the following environmental criteria when evaluating a proposed site.

1. Noise
2. Flood plains and wetlands
3. Site safety
4. Toxic and hazardous waste
5. Underground storage tanks
6. Asbestos and lead based paint

Minnesota Housing may, at its sole discretion, reject applications or recapture tax credits from projects that appear unsuitable for the housing proposed.

I. Underwriting Standards

Proposals must meet all Multifamily Underwriting Standards to receive an allocation of tax credits.

All operating assumptions, including for rent, vacancy, operating expenses, reserves, inflation assumptions and debt coverage ratios, must be consistent with the requirements of the Underwriting Standards. The structure of the development budget, including acquisition price; architect, general contracting, and developer fees; sales tax and energy rebates; as well as construction contingency, must also meet the Underwriting Standards.

Refer to the Minnesota Housing Multifamily Underwriting Standards and Multifamily Application Instructions: Consolidated RFP and HTC Rounds 1 and 2 for additional information and requirements.

J. Financial Feasibility

Proposals that meet the Project Selection Requirements in paragraphs B through I and K will be evaluated for financial feasibility as required by Section 1.42-17(a)(3) and Chapter 2K of this Procedural Manual. Projects determined not to be financially feasible will not be processed further in the current funding cycle.

An application's structuring may be revised by Minnesota Housing during this review to ensure financial feasibility or to meet required components of the Underwriting Standards, as applicable, and a reduction to the application’s scoring may occur as a result of these revisions.

K. Development Cost Review

Minnesota Housing will review project costs based on comparability and reasonableness. Minnesota Housing may, at its sole discretion, reject applications that appear to have excessive project costs. (Also refer to Chapter 4.A Project Cost Reasonableness)

Chapter 6 – Submission Requirements

It is the applicant's responsibility to be aware of the submission requirements needed to proceed to the next step in obtaining an allocation. If the applicant is unable to meet the submission requirements (financing, zoning, site control, syndication, construction start, etc.) in a timely manner, or if approvals have expired, the application will no longer be processed and the application fee will be forfeited. **Any submissions not meeting the requirements below will be returned to the applicant and fees paid will not be refunded.**

A. Application Requirements

Required Housing Tax Credit application materials are incorporated into the Application Checklist in the Multifamily Customer Portal (Portal), including the Intent to Apply, which is due in advance of the application. The Multifamily Application Instructions: Consolidated RFP and HTC Round 1 and 2 and the HTC Scoring and Deferred Priority Checklist Guide provide comprehensive resources for these application materials and submittal instructions. The Multifamily and Housing Tax Credit application materials can be found in the Portal and on the Application Resources and Tax Credits web page.

If a Minnesota Housing Multifamily first mortgage and/or deferred loan are sought in conjunction with the tax credit application, many HTC forms and submissions are identical to the forms and submissions required for other Minnesota Housing funding sources under the Consolidated Request for Proposals (RFP) or open pipeline.

Minnesota Housing will base its selection decision upon the application and attachments received on the application due date. No applications, attachments or documentation will be accepted after the application due date unless requested by Minnesota Housing.

Upon receipt of an application, as required by federal law, Minnesota Housing will notify the Chief Executive Officer of the local jurisdiction where the proposed project is planned. This notification will include characteristics of the proposed tax credit project and provide an opportunity for the local unit of government to comment on the project.

Information submitted in an application for tax credits is information that is accessible to the public pursuant to Minnesota Statutes, Chapter 13.

Self-Scoring Worksheet(s) Documentation

In addition to the application materials outlined in the Application Checklist in the Portal, applicants must include documentation supporting all points claimed, including but not limited to the following. No application, documentation will be accepted after the application due date unless requested by Minnesota Housing.

The Self-Scoring Worksheet(s) and the Scoring Guide provide comprehensive resources for the documentation materials and submittal instructions.

Threshold Evidence

For Round 1, provide evidence of meeting one of the threshold types defined in Article 5 of the Minnesota Housing QAP. Copies of the QAP and sample letter format are located in the Housing Tax Credit Allocation or Housing Tax Credits Reference Materials sections. In meeting the requirements of thresholds, fractions of units are not counted as a whole unit. Where unit percentage calculations result in a fraction of a unit being required, the fraction of a unit must be rounded up to next whole unit.

Location Efficiency Map

When required as supporting documentation for points claimed on the Self-Scoring Worksheet(s) in the Location Efficiency section of the Areas of Opportunity selection category, at the time of application, the applicant must submit a map identifying the location of the project with exact distances to the eligible public transit station/stop and routes and include a copy of the route, span and frequency of service schedules. For more detailed information refer to requirements contained in the Self-Scoring Worksheet(s).

Also, when required as supporting documentation for points claimed on the Self-Scoring Worksheet(s) in the Location Efficiency criterion, provide documentation of the project's Walk Score.

For developments in Greater Minnesota, if required as supporting documentation for points under the Location Efficiency section of the Areas of Opportunity scoring criterion in the Self-Scoring Worksheet(s), provide documentation of access and availability of route deviation service or demand response/dial-a-ride service, and describe how the service is a viable transit alternative that could be used for transportation to work, school, shopping, services and appointments.

Community Development Initiative

To be considered Community Development Initiative, an applicant must provide a Community Development Initiative narrative and backup documentation. Complete the required Community Development Initiative Narrative form identified in the Multifamily Rental Housing Common Application Checklist, submit any supporting documentation, including planning documents that support the initiative. For more detailed information refer to requirements contained in the Self-Scoring Worksheet(s).

Preservation

Dual application and preliminary determination of eligibility required:

1. **Dual Application:** For developments containing 40 or more units, applicants claiming points under this section must submit dual applications, as defined in the Multifamily Consolidated RFP/HTC Request for Proposal Application Instructions.
2. **Preliminary Determination of Eligibility:** Applicants applying for 9% tax credits and claiming points under this section will be required to submit a pre-application. If the project is determined to be eligible for Preservation points, the applicant will receive a Preliminary Determination of Preservation Eligibility letter from the Agency to be submitted with the application that details the Preservation Threshold and points claimed. Applicants **must** submit all required pre-application documentation 30 days prior to the application deadline for HTC Round 1 or Round 2 in order for staff to make a preliminary determination of eligibility. Failure to submit all required pre-application materials will result in rejection of the pre-application.

   Applicants applying for 4% tax credits must provide all required supporting documentation, as detailed in the Multifamily Customer Portal and HTC Scoring and Deferred Priority Checklist Guide.

Applicants must choose one of three thresholds: Risk of Loss Due to Market Conversion, Risk of Loss Due to Critical Physical Needs or Risk of Loss Due to Ownership Capacity/Program Commitment.

Applicants meeting one of the three thresholds may claim points under Existing Federal Assistance or Critical Affordable Units at Risk of Loss. For more detailed information refer to requirements contained in the Self-Scoring Worksheet(s).

Eventual Tenant Ownership Plan
If applicable, provide a detailed proposal for Eventual Tenant Ownership (ETO). Only detached single-family units are eligible for homeowner conversion. The project owner must submit a preliminary conversion plan with their application that is consistent with the requirements of Minnesota Housing's ETO Guide. The plan must address the transfer of 100 percent of the tax credit unit ownership after the 15-year compliance period from the initial ownership entity of the project (or Minnesota Housing approved Transfer of Ownership entity) to tenant ownership.

The unit purchase price at the time of sale must be affordable to incomes meeting tax credit eligibility requirements. To be eligible, the buyer must have an HTC qualifying income at the time of initial occupancy (tax credit rental tenant). The final conversion plan, to be submitted by the 15th year of initial compliance, must incorporate an ownership exit strategy, a third party Property Capital Needs Assessment report and a budget for capital improvements and services, including home ownership education and training. A final conversion plan complying with all of the requirements of the ETO Guide must be submitted to, and approved by, Minnesota Housing prior to commencing the conversion.

The Declaration of Land Use Restrictive Covenants will contain provisions ensuring compliance with these ETO commitments by the owner, including a right of first refusal allowing tenants to purchase their units.(Refer also to Chapter 3.W of this Manual for additional information.)

Until the time the HTC units are purchased by qualified tenants or in the event that not all HTC units are acquired by qualified tenants, the owner will extend the duration of low-income use for the full extended use period (at least 30 years).

Evidence for People with Disabilities
To receive points under People with Disabilities, the proposal must meet all of the requirements contained in the Self-Scoring Worksheet(s).

People with Disabilities Performance Requirement Relief Provisions:
Specific performance requirement relief provisions are available for projects receiving points under the category of the People with Disabilities Selection Criterion of the Self-Scoring Worksheet(s) for PDSC Units.

If, for a particular unit meeting the criteria and receiving points under the People with Disabilities Selection Criterion (PDSC Unit(s)), the necessary rental assistance or operating support (collectively PDSC Unit subsidy) is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected PDSC Unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall no longer be required to treat such PDSC Unit(s) as PDSC Unit(s) but must convert the rents of those units to the 50 percent tax credit rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply**. If such conversion occurs, in order to retain the tax credit allocation, the above described 50 percent tax credit rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the tax credit compliance and extended use periods.

If, for a particular PDSC Unit(s), the necessary tenant support services funding is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) alternative funding or an alternative service provider is unavailable; and (iii) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to modify its requirements for the provision of such tenant services for the affected PDSC Units(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i) and (ii) of this paragraph. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall modify its provision of such tenant support services for the affected PDSC Unit(s) in a manner consistent with Minnesota Housing's modified requirements for the provision of tenant services for the PDSC Unit(s), **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply.**

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determine that a PDSC Unit Subsidy may be available for the remainder of the tax credit compliance and extended use periods, that would not adversely affect the full availability of the tax credit allocation and would permit the PDSC Unit(s) to again serve People with Disabilities households, then at Minnesota Housing's request the owner shall promptly apply for such PDSC Unit subsidy for the PDSC Unit(s), upon terms reasonably acceptable to such owner, and if such PDSC Units subsidy is obtained, shall again set aside such PDSC Unit(s), when and to the extent then available, people with disabilities needs qualifying individuals.

In addition, if Minnesota Housing shall, at any time thereafter, in its sole discretion, determines that PDSC Unit tenant support services funding may be available for the remainder of the tax credit compliance and extended use periods, that would not adversely affect the full availability of the tax credit allocation and would permit the affected PDSC Unit(s) to again provide tenant support services to households targeting People with Disabilities, then at Minnesota Housing's request, the owner shall promptly apply for such PDSC Unit tenant support services funding for the affected PDSC Unit(s), upon terms reasonably acceptable to such owner, and if such PDSC Unit tenant support services funding is obtained, shall resume providing PDSC Unit tenant support services, when and to the extent then available, to people with disabilities needs qualifying individuals.

Evidence of targeting units for Permanent Supportive Housing for High Priority Homeless
In accordance with Minnesota's Plan to Prevent and End Homelessness, Minnesota Housing, in cooperation with the Departments of Human Services and Corrections and a broadly inclusive working group, has developed a business plan to achieve this goal. Tax credits represent one of several resources selected to attain this goal. To receive points under Permanent Supportive Housing for High Priority Homeless, the proposal must meet all of the requirements contained in the Self-Scoring Worksheet(s).

HPH Performance Requirement Relief Provisions:

Specific performance requirement relief provisions are available for projects receiving points under the Permanent Supportive Housing for High Priority Homeless Selection Criterion of the Self-Scoring Worksheet(s) for HPH Units.

If, for a particular HPH unit(s) the necessary rental assistance or operating support (collectively HPH unit subsidy") is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected HPH unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall no longer be required to treat such HPH unit(s) as HPH unit(s) but must convert the rents of those units to the 50 percent tax credit rent limit; provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply. If such conversion occurs, in order to retain the tax credit allocation, the above described 50 percent tax credit rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the tax credit compliance and extended use periods.

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determine that a HPH unit subsidy may be available for the remainder of the tax credit compliance and extended use periods, that would not adversely affect the full availability of the tax credit allocation and would permit the HPH unit(s) to again serve households experiencing homelessness, then at Minnesota Housing's request the owner shall promptly apply for such HPH unit subsidy for the Homeless unit(s), upon terms reasonably acceptable to such owner, and if such HPH unit subsidy is obtained, shall again set aside such HPH unit (s), when and to the extent then available, to households experiencing homelessness.

If, for a particular HPH unit (s), the necessary tenant support services funding is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) alternative funding or an alternative service provider is unavailable; and (iii) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to modify its requirements for the provision of such tenant services for the affected Homeless unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i) and (ii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall modify such tenant support services for the affected HPH unit (s).

Rental Assistance

Continued Renewals Performance Requirement Relief Provisions

Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion for Continued Renewals of the Self-Scoring Worksheet(s) for CRRA Units.

If, for a particular unit meeting the criteria and receiving points under the Rental Assistance selection criterion for Continued Renewals Rental Assisted units (CRRA Unit(s)), the necessary rental assistance or operating support (collectively CRRA Unit subsidy) is (i) not renewed, withdrawn, or terminated due to reasons not attributable to the actions or inactions of the owner; ii) alternative funding is unavailable; and (iii) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected CRRA Unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall no longer be required to treat such CRRA Unit(s) as CRRA Unit(s) but must convert the rents of those units to the 50 percent tax credit rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply**. If such conversion occurs, in order to retain the tax credit allocation, the above described 50 percent tax credit rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the 10 year period.

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determines that a CRRA Unit subsidy may be available for the remainder of the 10 year period, that would not adversely affect the full availability of the tax credit allocation, and would permit the CRRA Unit(s) to again serve 30 percent income households, then at Minnesota Housing's request, the owner shall promptly apply for such CRRA Unit subsidy for the CRRA Unit(s), upon terms reasonably acceptable to such owner, and if such CRRA Units subsidy is obtained, shall again set aside such CRRA Unit(s), when and to the extent then available, to income qualifying individuals.

Further restricted Rental Assisted Units Performance Requirement Relief Revisions
Specific performance requirement relief provisions are available for projects receiving points under the Rental Assistance selection criterion for Further restricted Rental Assistance of the Self-Scoring Worksheet(s) for FRRA Units.

If, for a particular unit meeting the criteria and receiving points under the Rental Assistance selection criterion for Further Restricted Rental Assisted units (FRRA Unit(s)), the necessary rental assistance or operating support (collectively FRRA Unit subsidy) is (i) withdrawn or terminated due to reasons not attributable to the actions or inactions of the owner; (ii) such withdrawal or termination materially adversely impacts the financial feasibility of the project; (iii) alternative funding is unavailable; and (iv) the project is otherwise in full compliance with all the terms of the funding for the project, the owner may petition Minnesota Housing to eliminate its requirements for the affected FRRA Unit(s). Such petition shall contain all material facts and supporting documentation substantiating owner's request including, but not limited to, items (i), (ii) and (iii) above. Upon confirmation of such facts, which such confirmation shall not be unreasonably withheld or delayed, owner shall no longer be required to treat such FRRA Unit(s) as FRRA Unit(s) but must convert the rents of those units to the 50 percent tax credit rent limit; **provided that more restrictive threshold, selection priority or funding requirements, if any, do not apply**. If such conversion occurs, in order to retain the tax credit allocation, the above described 50 percent tax credit rent limit and the Section 42 minimum set-aside elected for the project by the owner must be maintained for the remainder of the tax credit compliance and extended use periods.

If Minnesota Housing shall, at any time thereafter, in its sole discretion, determines that an FRRA Unit subsidy may be available for the remainder of the tax credit compliance and extended use periods, that would not adversely affect the full availability of the tax credit allocation, and would permit the FRRA Unit(s) to again serve 30 percent income households, then at Minnesota Housing's request, the owner shall promptly apply for such FRRA Unit subsidy for the FRRA Unit(s), upon terms reasonably acceptable to such owner, and if such FRRA Units subsidy is obtained, shall again set aside such FRRA Unit(s), when and to the extent then available, to income qualifying individuals.

Universal Design
Provide Tax Credit Design Standards/Review Process Certification certifying that design features, which allow points for the benefit of a development's selection, will be delivered in the final project.

Smoke Free Building(s)
If applicable, provide the written policy prohibiting smoking in all the units and all common areas within the building(s) of the project for the term of the declaration. The project must include a non-smoking clause in the lease for every household.

The written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by owner but must be included in the written policy.

B. Carryover Requirements

Several changes to Section 42 of the Internal Revenue Code were included in legislation passed by Congress in July 2008 as part of the Housing and Economic Recovery Act of 2008. These amendments made certain changes to the Carryover Allocation requirements. Only limited guidance has been issued by the IRS regarding these changes. No assurances can be given that additional IRS guidance will not require further adjustments to the QAP and additional reviews of selected developments relating to carryover**.**

In addition to meeting requirements of federal law, the applicant of a selected project must provide no later than 5:00 p.m. on November 1 or the next calendar business day of the year in which the reservation was issued, a complete carryover package in final form containing all the required documents in a form satisfactory to Minnesota Housing. Late fees will be enforced (see Chapter 8). All required carryover application materials should be submitted through the Multifamily Customer Portal.

NOTE: Requests by applicants/developers to Minnesota Housing to apply the 30 percent state designated basis boost at time of carryover application must be formally made in writing. The request should clearly outline the reasons supporting the request and clearly demonstrate how the proposal meets the criteria established by Minnesota Housing for receiving boost considerations.

Multifamily Workbook
As part of your Carryover application package, an updated Workbook for Tax Credits must be submitted in electronic form. Please refer to Minnesota Housing's Multifamily Customer Portal for additional important Carryover information and related forms. A printed and fully signed/executed version of the application form, with all changes from initial credit reservation application highlighted and initialed, must be submitted with your application package. The updated application form must be signed by at least one general partner involved in the project and if applicable, the nonprofit partner. For material changes, refer to Manual Chapter 2.G. An electronic version of the Excel version of the submitted application and a PDF of the signed and updated application form must be submitted to Minnesota Housing at the same time the application package is submitted.

Application forms containing incomplete revisions, including those not highlighted, initialed and dated, are not acceptable and will be returned to the applicant.

Project Schedule
Provide an Updated Project Schedule.

Owner Certification/Application for Carryover Allocation (HTC 4)
Provide a signed and notarized Owner Certification/Application for Carryover Allocation Form

Building Information (HTC 5)
Provide a completed Building Information Form.

Attorney's Opinion Letter
Provide an attorney's opinion letter in an approved Minnesota Housing Form verifying:

1. The legal description of the project property (to be attached to the opinion and labeled Exhibit A) and that it is correct and identical to the property identified in the application and the reservation letter.
2. The name of the entity that will be/is the owner for tax purposes, and/or has demonstrated continued site control of the land and depreciable real property identified as the project in the application and the reservation letter.
3. The name, legal designation and Tax Identification Number (TIN) of the ownership entity that will receive the tax credits and the legal designation of the party that signed the application.
4. The name, legal designation and Tax Identification Number (TIN) of all the general partner(s), and the names of the managing partner(s), contact person(s) and the required authorized signatories. If the partners are an organized entity, such as a limited liability corporation, a limited liability partnership, or an organized partnership, provide the above information for each such entity.
5. Identification and copies of any waivers required by Section 42 obtained from the IRS.

Certified Public Accountants Certification (HTC 6)
Provide a written Certified Public Accountant's Certification in an approved Minnesota Housing form verifying:

1. The amount of the reasonably expected basis, the carryover basis and the percent of the expenses incurred.
2. More than 10 percent of the reasonably expected basis on the project must be expended by the later of the date, which is one year after the date that the allocation is made or the close of the calendar year in which the allocation is made. If the final carryover basis and expenditures information is not available at the time the carryover application is due, the application must include a written estimate of this information prepared by the owner. Final CPA certifications of this information must be submitted to Minnesota Housing prior to the deadlines established by Section 42 and by no later than Minnesota Housing's submission deadline of May 1, 2021. If May 1 is not a business day, then certification will be due the next calendar business day. Minnesota Housing will consider an extension to this deadline via written request by the

owner/applicant. The request for extension must be submitted by May 1, 2021 and also include information explaining why the extension is required. Minnesota Housing will issue a written response to all extension requests. An extension until October 1, 2021 will be the maximum allowable. If October 1 is not a business day then the certification will be due the next calendar business day.

3. A statement of non-affiliation with the developer and/or owner.

Sources of Funds

Identify the sources of construction, interim and permanent financing. Provide a firm letter of commitment in the form of a binding agreement as set forth in Minnesota Statutes Section 513.33. The agreement must:

1. Be in writing
2. Specify the consideration for the transaction and pertinent terms
3. Be signed by both the lender and the borrower (for RD Projects, Form 1944-51)
4. Be current and state both the effective and expiration dates

Rental Assistance

Provide a description of any governmental assistance and/or rental assistance. This includes copies of any contracts/agreements executed or any applications made for rental assistance for the project. (Refer to the Rental Assistance section of the Self-Scoring Worksheet(s).)

Gross Rent Floor Election (HTC 26)

If choosing to make the election at this time, supply a fully executed Statement of Election of Gross Rent Floor including each building of the development in which there are housing tax credit units. If the required fully executed form(s) with all elections made by the owner are not submitted to Minnesota Housing by a date no later than the date the project is placed in service, the gross rent floor will be determined to have been elected as the gross rent effective on the allocation date (the earlier of carryover or 8609) of the tax credits.

Fair Housing and Equal Employment Opportunity Forms

It is the policy of Minnesota Housing to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute and return the following forms:

1. Affirmative Fair Housing Marketing Plan describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract persons who are least likely to apply in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex, national origin, disability or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed and sexual orientation.
2. Equal Employment Opportunity Policy Statement.

Tenant Selection Plan

Provide a written tenant selection plan describing the tenant selection policy that an owner will use. The tenant selection plan must be submitted and reviewed by Minnesota Housing prior to the issuance of the 8609. See Minnesota Housing's Tenant Selection Plan Guidance.

Smoke Free Building(s)*
If applicable, provide the written policy prohibiting smoking in all the units and all common areas within the building(s) of the project for the term of the declaration. The project must include a non-smoking clause in the lease for every household.

The written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by owner but must be included in the written policy.

Identity of Interest
Provide a written disclosure as to any and all Identity of Interest parties (see Chapter 2 I and J).

Allocation Fee
Submit the nonrefundable Allocation Fee based on the annual tax credit reservation amount (see Chapter 8 D and E). Additional fees for additional credits secured at carryover will be collected following the award. Complete an Application Fee Remittance Form, and attach with the payment to the top of application package.

Project Design Certification Form
Provide a completed form signed and dated by the developer and the architect.

Unit and Development Characteristics Profile Form:
Provide a completed form indicating the unit counts and the related funding sources.

C. Placed in Service Requirements

Generally, the placed in service date for tax credit purposes, for a newly constructed building or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed in service date must occur for all buildings within a project within two years after the allocation year of tax credits.

An approved Minnesota Housing 8609 form must contain the signature of the authorized Minnesota Housing representative. Minnesota Housing will issue an approved IRS Form 8609 within 30 days after all the following items have been received by Minnesota Housing in a satisfactory form and substance. Issuance of the Minnesota Housing approved IRS Form 8609 is to be done only by Minnesota Housing or, as applicable, an authorized suballocator. An approved Form 8609 must not be created by any other entity. The owner/agent must not file a Form 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved Form 8609. In addition, the owner/agent must not electronically file a Form 8609 with the IRS that does not accurately reflect the information contained on the Minnesota Housing signed version of the approved Form 8609. (Also refer to Chapter 2.G Unacceptable Practices.) A condition to this effect will be added to the Carryover Agreement.

If Minnesota Housing is the credit allocating agency, all required 8609 application materials should be submitted through the Multifamily Customer Portal.

If your credit allocating agency is a suballocator, please contact the suballocator for additional filing instructions.

To optimize timely processing of requests for issuance of Form 8609, it is recommended the owner make every effort to submit the complete Application for 8609 to Minnesota Housing no later than 30 days following completion of the project.

If a complete 8609 application package is not received within 15 days of the last day of the first year of the credit period the application will be considered late.

Transmittal Letter
Provide a transmittal letter indicating the project name, address and Minnesota Housing assigned HTC number. The letter should request the issuance of IRS Form 8609 and list the following required documents. In the letter, please list the revised information and explain the basis for the changes. The letter must be dated and signed by the owner or legally authorized individual.

Placed in Service Evidence
Provide evidence that all buildings have been Placed-in-Service. Submit a copy of the Certificate of Occupancy provided by the local governmental authority having jurisdiction for each building. If not available from the local government, a Certificate of Substantial Completion prepared by the architect will be accepted. For acquisition and rehabilitation, the developer must provide supporting documentation for the elected date.

Utility Allowance Schedule
Provide a current utility allowance in a manner consistent with the options provided in IRC 1.42-10 (i.e., as appropriate, a utility allowance from RD, HUD, PHA/HRA, local utility company, an Agency Estimate, a HUD utility Schedule Model, an Energy Consumption Model). Include a breakdown of the utilities that a tenant pays directly (heat, electricity, etc.), the utility allowance for each type of utility (gas, electric, etc.), for the various unit types (one bedroom, two bedroom, etc.) and housing types (apartments, townhomes, etc.). Also include a list of each unit type, total tenant paid utilities, contract rent and gross rent. (See Chapter 3 J)

Final Cost Certification (HTC 9)
Provide a final cost certification that evidences the CPA's audit report and cost certification based upon an audit of the owner's schedule of total project costs.

All costs of projects with five or more units owned by all entities must be cost certified by a CPA when construction has been completed and before Minnesota Housing can complete its final evaluation.

Projects with four or fewer units must submit a sworn construction statement and/or certification by owner, as appropriate.

Multifamily Workbook
As part of your 8609 application package, an updated Workbook for Tax Credits must be submitted in both printed and electronic form. A printed and fully signed/executed version of the Multifamily Workbook, with all changes from the most recent of your initial credit reservation application or, as applicable, your carryover application highlighted and initialed, must be submitted with your application package. In particular, check to ensure that changes in number of units, rents, utility allowance, source

of funds (loans, grants, etc.), hard and soft cost changes and qualified basis are updated on the revised application pages. The updated application form must be signed by at least one general partner involved in the project and if applicable, the nonprofit partner. For material changes, refer to Manual Chapter 2.G. An electronic Excel version of this updated application form must be submitted to Minnesota Housing at the same time the printed application package is submitted.

Application forms containing incomplete revisions including, those not highlighted, initialed and dated, are not acceptable and will be returned to the applicant.

Attorney's Opinion Letter
Provide an attorney's opinion letter in an approved Minnesota Housing form verifying:

1. The legal description of the project property (to be attached to the opinion and labeled Exhibit A) and that it is correct and identical to the property identified in the application, the reservation letter and the carryover agreement (if one was issued for the project).
2. The name of the entity that is the owner for tax purposes of the property to be part of the project and which is described in Exhibit A of the opinion.
3. The name, legal designation and Tax Identification Number (TIN) of the ownership entity that will receive the tax credits, the legal designation of the party that signed the application and the business remains in good standing and duly authorized in Minnesota.
4. The name, legal designation and Tax Identification Number (TIN) of all the general partner(s), and the names of the managing partner(s), contact person(s) and the required authorized signatories. If the partners are an organized entity, such as a limited liability corporation, a limited liability partnership or an organized partnership, provide the above information for each such entity.
5. Identification and copies of any waivers required by Section 42 obtained from the IRS.

Reserves, Contingencies and any Cash Savings
Provide a signed and dated statement documenting the amount and disposition of reserves, contingencies and any cash savings. If any of the above reverts back to developer/owner, general partner or any ownership interest, Minnesota Housing will consider them deferred developer fees, and for purposes of tax credit allocation, restrict the developer fees as specified in this Procedural Manual.

Minnesota Housing Declaration of Land Use Restrictive Covenant
Provide a copy of the completed but unrecorded Minnesota Housing Declaration of Land Use Restrictive Covenants for Low-Income Housing Tax Credits (Declaration) for review well in advance of its required filing deadline. The Declaration must be completed and recorded before the end of the first credit period to preserve the tax credits allocated to the project. Check with your tax advisor as to timing of filing and claiming of credits. HUD may require that certain riders be attached to your tax credit Declaration if your development has primary financing via a HUD direct insured loan. Check with your financing and legal advisors to determine if this may be required of your development.

Final Tax Credit Proceeds or Receipts
Documentation of the final amount of tax credit proceeds or receipts generated. Provide an executed copy of the final Syndication, Private Placement, or Individual Investment Agreements disclosing terms and conditions.

Multifamily Intended Methods Worksheet
Provide the Minnesota Housing Multifamily Intended Methods Worksheet for compliance with the MN Overlay and Enterprise Green Communities.

8609 Certification by Owner (HTC 3)
Provide a completed, executed and notarized original 8609 Certification by Owner/Application, verifying:

1. The placed in service date as defined in IRS Notice 88-116 for each building and/or type of tax credit. Month and year should correspond with occupancy certificate. If the month and year do not correspond, submit a written statement indicating the reason.
2. Compliance with all applicable design requirements.
3. Compliance with all requirements of selection, and additional or special conditions of reservation, commitment, or carryover.

Final Loan or Grant Documents
Provide copies of final executed permanent loan and/or grant documents for all sources of funds (loan/grant agreements, mortgage and note) that support the amount, terms and conditions stated on the Multifamily Workbook. Minnesota Housing must evaluate all final sources of funds to ensure the amount of tax credits allocated to a project do not exceed the amount necessary for financial feasibility. Therefore, Minnesota Housing will not issue an IRS Form 8609 prior to the execution of final permanent loan documents, or its equivalent, for all funding sources.

15-Year After-Tax Cash Flow Pro Forma
Provide a 15-year after-tax cash flow pro forma. Where applicable, the cash flow pro forma must reflect required payment of deferred developer fees.

Governmental Assistance and/or Rental Assistance
If not previously provided as part of a carryover application, provide a description of any governmental assistance and/or rental assistance. This includes copies of any contracts/agreements executed or any applications made for rental assistance for the project. This also includes copies of Cooperatively Developed Housing Plans/Agreements between owner and the local housing authority or other similar entity if rental assistance points were awarded to the development. (Refer to the Rental Assistance section of the Self Scoring Worksheet(s)).

Transfer Ownership
If the ownership entity has changed, provide a copy of the assignment, a revised Transfer Agreement (HTC 20) and Notice of Intent to Transfer Ownership (HTC 27), an updated Qualification Form for all the new team members, and Release of Information Authorization Form (HTC 17) (see Chapter 2.F and G) and the Transfer of Ownership Fee (see Chapter 8).

Partnership Agreement
Provide a copy of the executed final Partnership Agreement.

Photographs
Provide clear photographs of completed building(s).

Building Map Form (HTC 28)
Provide a completed Building Map Form for each building. The applicable fraction on the building map must be the same applicable fraction for each respective BIN on Exhibit B of the Declaration.

Identity of Interest
A written disclosure as to any and all Identity of Interest parties (see Chapter 2.I and J).

Affirmative Action and Equal Opportunity Forms
It is the policy of the Minnesota Housing Finance Agency to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute and return the following forms:

1. Affirmative Fair Housing Marketing Plan describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract persons who are least likely to apply in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex, national origin, disability or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed and sexual orientation.
2. Equal Employment Opportunity Policy Statement.

Tenant Selection Plan
Provide a written tenant selection plan describing the tenant selection policy that an owner will use. The tenant selection plan must be submitted and reviewed by Minnesota Housing prior to the issuance of the 8609. See Minnesota Housing's Tenant Selection Plan Guidance.

Smoke Free Building(s)*
If applicable, provide the written policy prohibiting smoking in all the units and all common areas within the building(s) of the project for the term of the declaration. The project must include a non-smoking clause in the lease for every household.

The written policy must be submitted with the application and must include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by owner but must be included in the written policy.

Allocation Fee
Submit the non-refundable, allocation fee based on the annual tax credit allocation amount (if not already paid at carryover). (See Chapter 8 Complete an Application Fee Remittance Form, and attach with the payment to the top of the application package.)

Chapter 7 –Projects Financed by Tax Exempt Volume Limited Bonds Seeking Tax Credits

A. General

Section 42 of the Internal Revenue Code establishes a separate set of procedures to obtain housing tax credits through the issuance of tax exempt volume limited bonds.[1] Although the tax credits are not counted in the tax credit volume cap for the State of Minnesota, developers of projects should be aware of the information contained in Article 8 of the State of Minnesota Housing Tax Credit Qualified Allocation Plan. Section 42 (m)(1)(D) provides that in order for a project to receive an allocation of tax credits through the issuance of tax exempt volume limited bonds, the project must satisfy the requirements of the QAP applicable to the area in which the project is located. The Minnesota Housing QAP applies to all projects for which Minnesota Housing is the issuer of the bonds and all other projects for which the issuer is not located within the area covered by a suballocator QAP. The project must comply with the QAP that is in effect for the calendar year in which tax exempt volume limited bonds are issued sufficient, together with any tax exempt volume limited bonds issued in a prior calendar year, to finance at least 50 percent of the aggregate basis of the building and the land it is located on.

Developers should also be aware of the requirements of Minn. Stat. § 474A.047, including subdivision 1, which requires the extension of existing U.S. Department of Housing and Urban Development (HUD) Housing Assistance Payment (HAP) contracts to the full extent available.

B. Application for Issuance of Preliminary Determination Letter

Applicants may receive a predictive model and scoring determination prior to requesting preliminary determination via the pre-application process. Pre-application is strongly encouraged in order to receive a determination prior to seeking an allocation of a portion of the state ceiling for tax exempt volume limited bonds.

Preliminary Predictive Model Determination: Predictive model analysis and board approval can be pursued earlier than the submission of the 42M application. Applicants must submit the predictive model determination document and will receive a determination letter upon approval. The determination letter will consist of agency approval, expiration date of approval, the project's current percentage of the predictive model, and project cap beyond which a Board waiver for per unit costs will be required. Developments with costs above the predictive model will be informed and, if requested by the developer, will be presented to the Minnesota Housing board to determine if a waiver will be granted.

Preliminary Scoring Determination: Applicants **must** submit all required pre-application documentation a minimum of 30 days prior to the 42(m)(1)(D) application submittal in order for staff to make a preliminary determination of eligibility. Failure to submit all required pre-application materials will result in rejection of the pre-application.

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[1] Tax exempt volume limited bonds are "residential rental bonds" that are taken into account under the state ceiling on the aggregate face amount of tax-exempt private activity bonds pursuant to Section 146 of the Internal Revenue Code. Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the Internal Revenue Code to finance a qualified residential rental project.

Pre-application Documents:

- Workbook
- Self-Scoring Worksheet– 4% – should be the year in which bond issuance is anticipated
- Scoring Documentation

Submit to the Multifamily Customer Portal.

If the project is determined to be eligible for the required minimum points, the applicant will receive a Preliminary Scoring Determination letter from the Agency that details the points awarded. This letter is to be submitted with the complete 42(m)(1)(D) application. The 42(m)(1)(D) application may only be submitted following an allocation of a portion of the state ceiling for tax exempt volume limited bonds.

Thirty days prior to issuance of tax exempt volume limited bonds, sufficient, together with any volume limited bonds issued in a prior calendar year, to finance at least 50 percent of the aggregate basis of the building and the land, the developer must submit to Minnesota Housing a full and complete application for issuance of a Preliminary Determination by Minnesota Housing pursuant to Section 42(m)(1)(D) [also see the QAP for additional detail]. The developer must submit to Minnesota Housing all documents required for an application for tax credits under Chapter 6.A of the Housing Tax Credit Program Procedural Manual, incorporated into the Application Checklist in the Multifamily Customer Portal and any additional information requested by Minnesota Housing. The strategic priority policy thresholds in Chapter 5.B apply to projects applying for Minnesota Housing resources except in cases where projects exclusively apply for non-competitive tax credits.[2] For projects in which Minnesota Housing is the allocating agency, the developer must submit an application fee (review fee). (See Chapter 8) In addition, if the issuer of the bonds is not Minnesota Housing, the initial submission must include evidence from the issuer that the project received an approval of an allocation of a portion of the state ceiling for tax exempt volume limited bonds from the state of Minnesota and a preliminary determination issued by the issuer of the bonds addressing the tax credit dollar amount and project costs pursuant to Section 42(m)(2)(D) of the Internal Revenue Code [also see the QAP for additional detail].

Based upon the submission of documents, Minnesota Housing will prepare a letter with its preliminary determination pursuant to Section 42(m)(1)(D) as to whether the project satisfies the requirements for allocation of a housing credit dollar amount under the QAP. A Preliminary Determination fee must be submitted to Minnesota Housing prior to release of the letter (See Chapter 8). **This process may take six weeks or more from the time the full application package is submitted. All applicants should develop their timelines and schedules accordingly.**

C. Election of Applicable Percentage

Section 42 of the Internal Revenue Code requires that the owner elect the applicable percentage for the project. **The election is made at the time any tax-exempt volume limited bonds are issued for a project to fix the percentage for the month in which the building is placed in service or the month in which any tax-exempt volume limited bonds are issued.** If the election is not made at the time any tax-

[2] As required by Minn. Stat. § 462A.222, subd. (3)(d) residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority, and such developments are therefore not required to meet a separate strategic priority threshold.

exempt volume limited bonds are issued, the percentage will be fixed for the month in which the building is placed in service. The owner must be sure to consider the best options for this election and make sure the election is made at the correct time. Once made, the election is irrevocable.

D. Requests for Building Identification Numbers (BIN)

At the time of application for issuance of a Preliminary Determination letter, the applicant must obtain a Building Identification Number (BIN) for each of the proposed buildings in the development. Minnesota Housing will assign all BINs. An address or other specific legal description is needed to identify with each BIN. The address and BIN will be needed as part of an application for Form 8609.

E. Election of Gross Rent Floor

The owner/taxpayer of a qualified tax credit project financed with tax exempt volume limited bonds is permitted under IRS Revenue Procedure 94-57 to fix the date of the gross rent floor to be the date on which Minnesota Housing initially issues its Preliminary Determination letter to the building or the Placed in Service date (Gross Rent Floor Election Form). The election of one of the two timing options must be completed and the election form(s) received by Minnesota Housing by a date no later than the date the project is placed in service. If no election is made and/or no form(s) received by Minnesota Housing by a date no later than the date the project is placed in service, then the gross rent floor date will automatically be fixed by Minnesota Housing to be the initial issuance date of the Preliminary Determination letter for the building.

F. Application for Issuance of Form 8609

Subsequent to the project being placed in service and prior to a Form 8609 being issued for the project by Minnesota Housing, the owner must submit an application for the issuance of Form 8609 to Minnesota Housing. The application must contain those items as identified in Section G below titled Tax Exempt Placed in Service, in addition to any other submissions deemed necessary by Minnesota Housing. For projects for which Minnesota Housing is the allocating agency, the developer must submit a Form 8609 fee based upon the requested annual tax credit amount. (See Chapter 8)

G. Placed in Service

Placed in service dates for tax credit purposes must be established for all buildings using credits, including acquisition credits, which are treated as a separate building for tax credit purposes. Generally, the placed in service date for a newly constructed building or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed in service date for acquisition credits is generally the date of the acquisition of the building. It is highly recommended that owners/developers of projects financed with the proceeds of tax exempt volume limited bonds seek the appropriate legal and bond professional advice on these matters.

An approved Minnesota Housing Form 8609 must contain the signature of the authorized Minnesota Housing Finance Agency representative. Minnesota Housing will issue an approved IRS Form 8609 within 30 days after all of the following items have been received by Minnesota Housing in a satisfactory form and substance. Issuance of the Minnesota Housing approved IRS Form 8609 is to be done only by Minnesota Housing or, as applicable, an authorized suballocator. An approved Form 8609 must not be created by any other entity. The owner/agent must not file a Form 8609 with the IRS in advance of the owner/agent's receipt of the Minnesota Housing signed version of the approved 8609. In addition, the owner/agent must not electronically file a Form 8609 with the IRS that does not accurately reflect the information contained on Minnesota Housing's signed version of the approved Form 8609 or information contained in the reservation or carryover agreement. (Also refer to Chapter 2.G Unacceptable Practices).

If Minnesota Housing is the credit allocating agency, all required 8609 application materials should be submitted through the Multifamily Customer Portal.

Transmittal Letter
A transmittal letter indicating the project name, address and Minnesota Housing assigned HTC number. The letter should request the issuance of IRS Form 8609 and list the following required documents. In the letter, please list the revised information and explain the basis for the changes. The letter must be dated and signed by the owner or authorized individual.

Placed in Service
Submit evidence that all buildings have been Placed-in-Service. Submit a copy of the Certificate of Occupancy provided by the local governmental authority having jurisdiction for each building. If not available from the local government, a Certificate of Substantial Completion prepared by the architect will be accepted. For acquisition and rehabilitation, the developer must provide supporting documentation for the elected date.

Evidence of Tax Exempt Volume Limited Bonds
If the issuer of the bonds is not Minnesota Housing, submit evidence from the issuer of the bonds that the project received an approval of an allocation of a portion of the state ceiling for the issuance of tax-exempt volume limited bonds from the state of Minnesota.

Utility Allowance Schedule
Provide a current utility allowance in a manner consistent with the options provided in IRC 1.42-10 (i.e. as appropriate, a utility allowance from RD, HUD, PHA/HRA, local utility company), an Agency Estimate, a HUD utility Schedule Model, an Energy Consumption Model). Include a breakdown of the utilities that a tenant pays directly (heat, electricity, etc.), the utility allowance for each type of utility (gas, electric, etc.), for the various unit types (one bedroom, two bedroom, etc.) and housing types (apartments, townhomes, etc.). Also, include a list of each unit type, total tenant paid utilities, contract rent and gross rent. (See Chapter 3 J)

Final Cost Certification (HTC 9)
Provide a Final Cost Certification when construction has been completed that evidences the CPA's audit report and cost certification based upon an audit of the owner's schedule of total project costs.

Multifamily Workbook
Provide an updated Multifamily Workbook signed by at least one general partner involved in this project and if appropriate, nonprofit partner. Highlight all changes from the Preliminary Determination Application, re-date and initial the revised pages. For material changes, refer to Chapter 2.G. Incomplete revisions or those not highlighted, initialed and dated are not acceptable and will be returned to the developer. In particular, check to ensure that changes in number of units, rents, utility allowance, source of funds (loans, grants, etc.), hard and soft cost changes and qualified basis are updated on the revised application pages.

Determination of Credits

Provide evidence that the governmental unit that issued the tax exempt volume limited bonds (or on behalf of which the bonds were issued) made a determination that the amount of credits allocated to the project do not exceed the amount necessary to ensure project feasibility pursuant to Section 42(m)(2)(A) and (B), including a copy of the final written determination (and the analysis on which it was based) that the credits allocated to the building did not exceed the maximum tax credit based upon the lesser of the eligible basis or the amount necessary to achieve financial feasibility. The issuer analysis and determination must address all of the items set forth in Section 42(m)(2)(B). The determination must be made by the issuer based upon review of the submission items required in Chapter 6.C of the manual.

Attorney's Opinion Letter

Provide an attorney's opinion letter in a Minnesota Housing approved form verifying:

1. The legal description of the project property (to be attached to the opinion and labeled as Exhibit A) and that it is correct and identical to the property identified in the application, the preliminary determination letter issued by Minnesota Housing and the legal description of the property financed with the tax exempt volume limited bonds.
2. The name of the entity that is the owner for tax purposes of the property to be part of the project and which is described in Exhibit A of the opinion.
3. The name, legal designation and Tax Identification Number (TIN) of the ownership entity that will receive the tax credits, the legal designation of the party that signed the application and that the business is in good standing and duly authorized in Minnesota.
4. The name, legal designation, and Tax Identification Number (TIN) of all the general partner(s), and the names of the managing partner(s), contact person(s) and the required authorized signatories. If the partners are an organized entity, such as a limited liability corporation, a limited liability partnership, or an organized partnership, provide the above information for each such entity.
5. Identification and copies of any waivers required by Section 42 obtained from the IRS.
6. The buildings identified in the application qualify for an allocation of credits under Section 42(h)(4).

Reserves, Contingencies, and any Cash Savings

A signed and dated statement documenting the amount and disposition of reserves, contingencies and any cash savings. If any of the above reverts back to developer/owner, general partner or any ownership interest, Minnesota Housing will consider them deferred developer fees, and for purposes of tax credit allocation, restrict the developer fees as specified in the Underwriting Standards.

Minnesota Housing Declaration of Land Use Restrictive Covenants

Provide a copy of the unrecorded Declaration of Land Use Restrictive Covenants for Housing Tax Credits.

NOTE: A copy of a properly recorded Declaration, in final form and content as approved by Minnesota Housing following its review, must be provided to Minnesota Housing prior to the release of any 8609s to the owner. A Declaration must be completed and recorded before the end of the first credit period to preserve the tax credits allocated to the project. Check with your tax advisor as to timing of filing and claiming of credits.

Final Tax Credit Proceeds or Receipts
Documentation of the final amount of tax credit proceeds or receipts generated. Provide a copy of the executed final Syndication, Private Placement, or Individual Investment Agreements disclosing terms and conditions.

8609 Certification by Owner/Application Form
Submit a fully completed, executed and notarized original 8609 Certification by Owner/Application Form, (HTC 3) verifying:

1. The placed in service date as defined in IRS Notice 88-116 for each building and/or type of tax credit. Month and year should correspond with occupancy certificate. If the month and year do not correspond, submit a written statement indicating the reason.
2. It is highly recommended that owners/developers of projects financed with the proceeds of tax exempt volume limited bonds seek the appropriate legal and bond professional advice on these matters.
3. Compliance with all applicable design requirements.
4. Compliance with all requirements of the Preliminary Determination letter issued by Minnesota Housing on the project and the requirements of Article 8 of the State of Minnesota Housing Tax Credit QAP.

Final Executed Loan or Grant Documents
Provide copies of final executed loan and/or grant documents for all sources of funds (loan/grant agreements, mortgage and note) that support the amount, terms and conditions stated on the HTC Application.

Multifamily Intended Methods Worksheet
Provide the Minnesota Housing Multifamily Intended Methods Worksheet for compliance with the MN Overlay and Enterprise Green Communities.

15-Year After-Tax Cash Flow Pro Forma
Provide a 15-year after-tax cash flow pro forma. The proforma must reflect required payments of any deferred developer fees.

Transfer Ownership
If the ownership entity has changed, submit a copy of the assignment, a revised Transfer Agreement (HTC 20), an updated Qualification Form for all the new team members, a written disclosure as to any and all Identity of Interest parties and Release of Information Authorization Form (HTC 17) (See Chapter 2 F and G), and the Transfer of Ownership Fee (See Chapter 8).

Partnership Agreement
Provide a copy of the executed final Partnership Agreement.

Photographs
Provide clear photographs of completed building(s).

Building Map Form (HTC 28)
Provide a completed Building Map Form.

Affirmative Action and Equal Opportunity Forms
It is the policy of the Minnesota Housing Finance Agency to take affirmative action to provide equal opportunity in all of its endeavors. Complete, execute and return the following forms:

1. Affirmative Fair Housing Marketing Plan describing the marketing strategies that an owner will use including, but not limited to, special efforts the owner will make to attract persons who are least likely to apply in addition to a broad cross section of the local population without regard to protected classes under federal fair housing law: race, color, religion, sex, national origin, disability or familial status; or under Minnesota law: marital status, status with regard to public assistance, creed and sexual orientation.
2. Equal Employment Opportunity Policy Statement.

Tenant Selection Plan
Provide a written tenant selection plan describing the tenant selection policy that an owner will use. The tenant selection plan must be submitted and reviewed by Minnesota Housing prior to the issuance of the 8609. See Minnesota Housing's Tenant Selection Plan Guidance.

Smoke Free Building(s)
If applicable, provide the written policy prohibiting smoking in all the units and all common areas within the building(s) of the project for the term of the declaration. The project must include a non-smoking clause in the lease for every household.

The written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by owner but must be included in the written policy.

8609 Fee
Submit a non-refundable 8609 fee based upon the annual tax credit amount (see Chapter 8) along with a completed Fee Remittance Form.

Chapter 8 – Fees

A. Application Fee

An $800 application fee must be submitted with all applications. The fee is non-refundable. For multi-building projects, Minnesota Housing will require only one application and a single fee.

B. Supplemental Application Fee

The application fee for projects requesting supplemental tax credits is $350. This fee is non-refundable and will be charged to projects that resubmit their proposals in Round 2 of the allocation year and were underwritten by Minnesota Housing in Round 1.

1. A non-selected project will be required to submit a new application package as described in Chapter 2.M.
2. A selected project (must have been selected in the same year) requesting additional credits will be required to submit a new application package as described in Chapter 2.L.

C. Reservation Fee

After the project has been selected, a reservation fee of 3.5 percent of the annual credit amount to be reserved must be paid to Minnesota Housing. The developer will have approximately 30 days in which to pay the reservation fee and maintain their tax credit selection/reservation. An additional 3.5 percent reservation fee must also be paid for any additional credits awarded and allocated through carryover and must be paid following issuance of the Carryover Agreement. A reservation fee is non-refundable and will not be adjusted if the final tax credit amount is reduced or the tax credits are returned or unused.

D. Allocation Fee

At the time the taxpayer/owner submits an application for a carryover allocation or for issuance of IRS Form(s) 8609 (whichever occurs earlier), an allocation fee will be due that is equal to 3.5 percent of the annual tax credit allocation amount. This fee is non-refundable and will not be adjusted if the final tax credit amount is reduced or the tax credits are returned or unused.

NOTE: See section C. above for fee information relating to additional credits allocated at carryover.

E. Allocation Late Fee

Developers submitting a carryover package or, if an owner has elected not to request a carryover, an 8609 package prior to the end of the year of allocation for which the reservation was issued that:

1. Do not submit a carryover/8609 application by the established due date; or
2. Submit a substantially incomplete carryover/8609 application by the established due date; or
3. Do not submit the carryover CPA final certification by the established due date

Must pay a $1,000 late fee plus an additional penalty fee of $200 for each business day from the original due date through the date on which Minnesota Housing receives a substantially complete carryover/8609 application.

The fee will not be allowed as an eligible cost in carryover/8609 basis and must be paid at the time the carryover/8609 application is substantially complete.

F. Preliminary Determination Fee

A Preliminary Determination Fee must be submitted to Minnesota Housing prior to issuance of a Preliminary Determination letter. For projects for which Minnesota Housing is the allocating agency, the developer must submit a fee equal to 3.5 percent of the requested annual tax credit amount. This fee is non-refundable.

G. 8609 Fee

An 8609 Fee must be submitted at the time of application to Minnesota Housing for Form 8609. For projects for which Minnesota Housing is the allocating agency, the developer must submit an 8609 fee equal to 3.5 percent of the requested annual tax credit amount. This fee is non-refundable.

H. Monitoring Fee

Minnesota Housing will charge an annual monitoring fee of $25 per unit, based on the total number of units except for projects covered by the Memorandum of Understanding (MOU) between Minnesota Housing and the U.S. Department of Agriculture, Rural Housing Service. The compliance monitoring fee will be $15 per unit per year for projects covered by the MOU. This fee may be increased depending upon the requirements of the U.S. Treasury, IRS or increased costs of Minnesota Housing. The fee will be due in a manner and time as prescribed by Minnesota Housing. Failure to pay the fee will result in Minnesota Housing notifying the IRS that the project is out of compliance.

During the extended use period required by Internal Revenue Code Section 42(h)(6), Minnesota Housing will charge a monitoring fee of $15 per unit per year. No HTC monitoring will be required during this time for properties with Project-Based Section 8, Rural Development or HUD Contract Administration since these properties are already subject to monitoring and consequences under those programs. However, if a property is no longer subject to monitoring for HUD and/or Rural Development programs, then the owner must notify Minnesota Housing Tax Credit compliance staff immediately so that the property can be placed back on the monitoring schedule. At that time, the property will be subject to the $15 per unit per year monitoring fee.

I. Transfer of Ownership Fee

All changes in ownership must be approved by Minnesota Housing. If the transfer occurs prior to a date five years after the project's new construction/rehabilitation placed in service date, a non-refundable transfer of ownership fee of $2,500 must be submitted to Minnesota Housing along with updated materials of the new owner/management team for each project in which 50 percent or more of the ownership entity is new since reservation or carryover allocation. After the five year period, owners must submit a RFA non-refundable processing fee. Refer to the Servicing page on Minnesorta Housing's website. (See Chapter 2.G. Unacceptable Practices for further details on Transfer of Ownership.)

J. Check Cashing Procedure

Applicant's payments for fees (in the form of checks) will be held pending verification of the accuracy of the amount tendered and submitted materials.

K. Right to Adjust Fees

Minnesota Housing reserves the right to adjust fees due to changing circumstances in order to cover its costs associated with producing and delivering Minnesota's Housing Tax Credit Program.

L. Appraisal Fee

The appraisal fee will be determined based on fees charged by the appraiser to complete Minnesota Housing's requirement for an as-is appraisal. These fees are subject to change at Minnesota Housing's sole discretion based upon changes in fee structures found in the appraisal marketplace and on the type of appraisal required by Minnesota Housing for a particular application type. For estimates of appraisal fees, please reference the Fee remittance form located in the Multifamily Customer Portal.

The as-is appraisal will be ordered by Minnesota Housing, and all costs will be the responsibility of the applicant. This fee is non-refundable. Appraisals will be considered expired by Minnesota Housing one year after the effective date of the report. (Refer to the Multifamily Underwriting Standards for additional details.)

Chapter 9 – Tentative Allocation Schedule of Critical Dates

A. 2020 Allocation Dates

A list of important allocation dates can be found on the Tax credit webpage on Minnesota Housing's website.

B. Previous Years Allocation of Credits

Placed in Service Allocation: To optimize timely processing of requests for issuance of Form 8609, it is recommended the owner make every effort to submit the complete Application for 8609 to Minnesota Housing no later than 30 days following completion of the project.

At the latest, complete 8609 application packages are due no later than 15 days after the last day of the first year of the credit period. Section 42 states the owner must elect the first year of the credit period in the year the project is placed in service or the year following.

C. Compliance Dates

Owners Certifications, compliance report and monitoring fees are due February 15th (or next business day) of each year.

When filed with IRS: Completed first year 8609 with Part II completed.

Chapter 10 – Alphabetical Index of HTC Forms

A. Application Materials

All HTC Application Forms are identified in the Multifamily Consolidated RFP/HTC Request for Proposal Application Instructions and are available on Minnesota Housing's Multifamily website and in the Multifamily Customer Portal.

B. Post Application Materials

All Post Application materials are available on Minnesota Housing's Multifamily website and in the Multifamily Customer Portal.

2020 Housing Tax Credit Self-Scoring Worksheet

4% Housing Tax Credits Only

Updated June 2019 ~~May 2018~~

Project Name:

Project Number (D Number):

Property Number (M Number):

Primary Address:

City:

Instructions

Strategic Priority Policy Thresholds:

A. As required by Minn. Stat. § 462A.222, subd. (3)(d) residential rental housing projects financed with an allocation of tax-exempt bonds under chapter 474A are the highest strategic priority, and such developments are therefore not required to meet a separate strategic priority threshold.

Minimum Point Requirements:

A. Request for tax credits in association with tax exempt volume limited bonds must demonstrate the project is eligible for no fewer than 40 points.

B. Minnesota Housing reserves the right to reject applications not meeting its Project Selection requirements as contained in the HTC Program Procedural Manual, to revise proposal features, and associated scoring, and to ensure the project meets the requirements.

Documentation of Points:

A. Indicate the selection criteria expected for your project. Where multiple points per section are available, please check the appropriate box (☐) for points claimed. **In addition to the self-scoring worksheet the applicant must submit a separate detail sheet and documentation that clearly supports the points claimed. Minnesota Housing will determine the eligible points; points will not be awarded unless documentation is provided along with the application to justify the points claimed.**

Documentation of Units:

A. Indicate the number of units for each selection criteria expected for your project. When calculating a percentage for a criterion all units must be rounded up to the next full unit. The number of units indicated will be required and incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants (declaration) and deferred loan documents with the exception of tenant targeting in the Permanent Supportive Housing for High Priority Homeless.

Extended Duration:

A. Request for tax credits in association with tax exempt volume limited bonds must maintain the duration of low-income use for a minimum of 30 years, or longer if a longer duration is selected. The owner agrees that the Qualified Contract provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) will not apply to the project for a minimum of 20 years beginning with the first day of the compliance period in which the building is a part of a qualified low-income housing project.

Design Standards:

A. The project must meet the requirements in the Minnesota Housing Rental Housing Design/Construction Standards and be evidenced by a Design Standards Certification form executed by the owner and architect. Additional design requirements will be imposed if Large Family Housing points are claimed/awarded or points are claimed/awarded that require specific design elements (e.g. Universal Design).

A Declaration of Land Use Restrictive Covenants:

A. A Declaration of Land Use Restrictive Covenants covering the rent restrictions and occupancy requirements presented at selection must be recorded against the property.

Affirmative Fair Housing:

A. Affirmative Fair Housing Marketing Regulations, held as centrally important by Minnesota Housing, require that each applicant carry out an affirmative marketing program to attract prospective buyers or tenants of all majority and minority groups in the housing market area regardless of race, creed, color, religion, sex, national origin, marital status, status with regard to public assistance, disability, sexual orientation, or familial status. At the time of 8609, all applicants must submit an Affirmative Fair Housing Marketing Plan documenting an acceptable plan to carry out an affirmative marketing program.

2020 HOUSING TAX CREDIT SELECTION CRITERIA
Greatest Need Tenant Targeting (5 to 47 points)

A. Large Family Housing (5 to 15 points):

1. **Large Family Housing** - The proposal is for a project that provides family housing that is not restricted to persons 55 years old or older. The owner agrees to market to families with minor children. Select all that apply:

a. ☐ At least 75% of the total assisted[1] units contain two or more bedrooms. **(10 points)**

Number of units with
2 Bedrooms_______
3 Bedrooms_______
4 Bedrooms_______

b. ☐ For Greater Minnesota proposals eligible under 1. a. above, at least one-third of the 75% contain three or more bedrooms. **(5 points)**

Number of units with
3 Bedrooms_______
4 Bedrooms_______

B. Permanent Supportive Housing for High Priority Homeless[2] (7 to 22 points):

1. A minimum of 5% of the total units, but no fewer than four units are set aside and rented to High Priority Homeless who are households prioritized for permanent supportive housing by the Coordinated Entry System[3] (HPH units) and targeted to the populations indicated below. Select one and complete the unit count below:

a. ☐ 50% to 100%, but no fewer than 20 units **(20 points)**
Number of units _______

b. ☐ 10% to 49.99%, but no fewer than 7 units **(10 points)**
Number of units _______

c. ☐ 5% to 9.99%, but no fewer than 4 units **(7 points)**
Number of units _______

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[1] Assisted is defined as tax credit units for HTC applications and affordable units for deferred funding.
[2] **Specific performance requirement relief provisions are available for projects eligible for the Permanent Supportive Housing High Priority Homeless category selection criterion for "HPH Units".** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents recorded with the property.
[3] Coordinated Entry System is defined by the Statewide Coordinated Entry standards and protocol as adopted by the local Continuum of Care, or such successor system as determined by Minnesota Housing.

Number of Units Representing:

Youth with Children: ________
Youth Singles: ________
Youth Total: ________
Single Adults: ________
Families with Children: ________
Total High Priority Homeless: ________

2. Continuum of Care

Proposals that are eligible for B. 1 above can claim this selection criterion if units will be available for populations consistent with local needs identified by the local Continuum of Care. (Published Priorities are available on Minnesota Housing's website at: **[insert link]**)

a. ☐ 5% of units or more, but no fewer than four units, targeted to Continuum of Care Household Type Priority One **(2 points)**
Number of units ________
Priority Type: ______
(Families with children, youth singles, youth with children or single adults)

EXCEL HELP TEXT:
Select Supportive Housing under Strategic Priority Threshold to enable checkboxes for Permanent Supportive Housing for High Priority Homeless**.**

NOTE:
Permanent Supportive Housing for High Priority Homeless (B.) and People with Disabilities (C.) selection criteria cannot be claimed for the same units.

To be eligible for Permanent Supportive Housing for High Priority Homeless (HPH), the proposal must meet *all* of the following conditions:

1. The applicant must complete and submit the Supportive Housing application materials, including the narratives, forms and submittals identified in Application Checklist in the Multifamily Customer Portal.
2. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available
3. The applicant agrees that if units set aside for High Priority Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards – High Priority Homeless or People with Disabilities section. The owner must establish and implement policy and procedure to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.
4. Supportive Housing Threshold Criteria:

a. Supportive Services: On-site service coordination and tenant engagement must be made available to supportive housing residents. The level and type of services offered should be appropriate for the needs of the target population, with a minimum of tenant service coordination averaging two hours per household per week as further defined in the supportive housing narrative.
b. Experienced service provider, or partnering with an experienced service provider, with demonstrated outcomes:
    i. At a minimum, the service provider has experience providing services to a similar population to maintain housing over a period of time, and has sufficient capacity to deliver the services proposed.
c. Service funding commitments: At a minimum, a portion of service funding is secured with a viable plan for securing the remaining resources, as approved by Minnesota Housing. Evidence must be provided in the application narrative and commitment letters or other documentation.
    i. Developments with 5% to 9.99% HPH units must have secured at least 75% of service funding
    ii. Developments with 10% to 49.99% HPH units must have secured at least 20% of service funding
    iii. Developments with 50% to 100% HPH units must have secured at least 5% of service funding
d. Coordinated Entry and serving highest need households: The property owner must agree to accept high priority households for the HPH supportive housing units through Coordinated Entry.

A proposal that claims this category and is selected to receive tax credits will be required to comply with the reporting requirements for Permanent Supportive Housing for High Priority Homeless, as defined by Minnesota Housing. The Tax Credit Declaration of Land Use Restrictive Covenants, including a specific Rider to the Declaration and Minnesota Housing Loan documents) will contain performance requirements related to these permanent supportive housing units for High Priority Homeless and will be recorded with the property.

C. People with Disabilities (7 to 10 points):

1. Select the number of units set aside for people with disabilities:

    a. ☐ 15% to 25% of units **(10 points)**
    Number of units _______

    b. ☐ 10% to 14.99% of units **(9 points)**
    Number of units _______

    c. ☐ 5% to 9.99%, but no fewer than four units **(7 points)**
    Number of units _______

Permanent housing proposals are not restricted to persons of a particular age group. A percentage of the units are set aside and rented to persons with any of the following disabilities[4]:

i. A serious and persistent mental illness as defined in Minn. Stat. § 245.462, subdivision 20, paragraph (c)
ii. A developmental disability as defined in United States Code, Title 42, Section 6001, paragraph (5), as amended
iii. Assessed as drug dependent as defined in Minn. Stat. § 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minn. Stat. § 254A.02, Subdivision 2
iv. A brain injury as defined in Minn. Stat. § 256B.093, Subdivision 4, paragraph (a) Permanent physical disabilities that substantially limit major life activities, if at least 50% of the units in the project are accessible as provided under Minnesota Rules Chapter 1341

NOTE: Minnesota Housing considers accessible units to be Type A and/or Type B units as identified in the referenced Chapter 1341, also know as the Minnesota Accessibility Code.
NOTE: This definition is not limited to persons with mobility impairment.

EXCEL HELP TEXT: Select Supportive Housing under Strategic Priority Threshold to enable checkboxes for People with Disabilities.

NOTE: Permanent Supportive Housing for High Priority Homeless (B.) and People with Disabilities (C.) selection criteria may not be claimed for the same units.

To be eligible under People with Disabilities, the proposal must meet all of the following conditions:

1. The applicant must submit the People with Disabilities narratives and any other forms and submittals identified in the Multifamily Rental Housing Common Application Request for Proposal Guide and the Multifamily Rental Housing Common Application Checklist.
2. The applicant must submit a signed Service Agreement. Applicant can either complete the signature page (must be completed by both parties) attached to the People with Disabilities Narrative, or submit a separate signed service agreement.
3. The applicant agrees to pursue and continue renewal of rental assistance, operating subsidy or service funding contracts for as long as the funding is available.
4. The application must meet the following threshold criteria as evidenced in the People with Disabilities Narrative and Service Agreement:
   a. Target population: The target population(s) of people with disabilities must be clearly defined in the narrative (e.g., mental illness, developmental disability, physical disability).
   b. Units are restricted to households with incomes at or below 30% MTSP income limits.

[4] **Specific performance requirement relief provisions are available for projects that meet the People with Disabilities Selection Criterion for "PDSC Units."** Reference Section 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents recorded with the property.

c. The applicant agrees that if units set aside for People with Disabilities are occupied by households -without project-based rental assistance, the gross rents, including an allowance for tenant-paid utilities, cannot exceed the greater of 30% of the household's monthly income or the most current Supportive Housing Standard for the unit size, as published annually by Minnesota Housing in the Multifamily Underwriting Standards in the Supportive Housing Standards – High Priority Homeless or People with Disabilities section. The owner must establish and implement policy and procedures to specify the calculation method used to determine the appropriate rent amount and periodic income recertification to adjust rents.
Service Agreement: The property owner must have an agreement with the county or tribal human services specifying:

d.
   i. How they will provide outreach to the target population
   ii. How eligible applicants will be referred to the property management agent
   iii. That verification of applicant disability will be provided to the owner
   iv. The types of services appropriate to the population that will be made available with the goal of housing stability
   v. Service funding sources
   vi. How services will be provided to tenants
   vii. How the service entity will communicate and coordinate with property management
   viii. Plans for crisis intervention, eviction prevention and lease mitigation

e. Units for individuals with disabilities must be provided in an integrated setting.

2. Serves Lowest Income for Long Durations (2 to 48 points)

A. Serves Lowest Income Tenants/Rent Reduction (8 to 13 points):

1. Eligibility is based on gross rent level, including utilities before rental assistance. Eligible units must have rents affordable to households whose incomes do not exceed 50% of MTSP income limits as published by HUD without rental assistance for a period of 10 years.

   The applicant agrees to maintain the deeper rent structuring for which selection points are requested.

   This selection will restrict rents only (tenant incomes will not be restricted to the 50% income level by claiming this section).

   a. ☐ 100% of the restricted unit rents affordable to households with incomes at the county 50% HUD MTSP income limit **(13 points)**

      Number of units _______

   b. ☐ At least 50% of the restricted unit rents affordable to households with incomes at the county 50% HUD MTSP income limit **(8 points)**

      Number of units _______

NOTE: Serves Lowest Income and Rental Assistance selection criteria cannot be claimed for the same units.

Minnesota Housing will incorporate these restrictions into the Declaration of Land Use Restrictive Covenants and Minnesota Housing loan documents. The applicant must demonstrate, to the sole satisfaction of Minnesota Housing, that the property can achieve these reduced rents and remain financially feasible [IRC § 42(m)(2)]. Contingent upon financial plans demonstrating feasibility, positive cash flow on a 15-year pro forma and gaining Minnesota Housing management approval (for management, operational expenses, and cash flow assumptions).

IMPORTANT

All 50% rent restricted units must meet rents affordable at the 50% MTSP income for a minimum of 10 years after the last placed in service date for any building in the property or loan closing. After the 10 year period has expired, if the units are not otherwise subject to more restrictive conditions, rent may be increased to the 60% MTSP rent limit over a three year period, with increases not to exceed the amount listed in the table below, provided that a more restrictive threshold, selection priority or funding requirements do not apply.

YEAR	30% of 50% Rent Levels
1-10	30% of 50%
11	30% of 53%
12	30% of 57%
13	30% of 60%

B. Rental Assistance (2 to 26 points):

1. Priority is given to an owner who submits with the application a **fully executed binding commitment** (i.e., binding Resolution/binding Letter of Approval from the governing body) for project-based rental assistance awarded in accordance with 24 CFR Ch. IX, Section 983.51 or which is effectively project-based by written contract. For the purposes of this category, project-based rental assistance is defined as a project-specific funding stream that supports the operations of the property, reduces the tenant rent burden, and provides for the tenant paid portion of rent to be no greater than 30% of household income.

   NOTE: Minnesota Housing, at is sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs.

   - New or transferred federal rental assistance contracts that were executed within the past 15 years are eligible. This includes transfers of existing Section 8 contracts under the 8bb notice to new construction projects or existing developments that currently have no Existing Federal Assistance.

- Site-based Support[5] and awards of project-based McKinney Vento Continuum of Care funding, will be considered project-based rental assistance.
- Privately funded rental assistance must demonstrate a commitment of a minimum of four years. Documentation must also contain language regarding the possibility of future renewals.
- A current request for Minnesota Housing Rental Assistance is not eligible to claim this category. A past award of existing Rental Assistance will be counted toward meeting the required percentages.

For developments that agree to set aside units and have the required binding commitment for the associated percentage of units with project based rental assistance units as follows. Select one option from a.-f. and, if applicable, select g.

a. ☐ 100% of the total units for project-based rental assistance **(15 points)**
Number of units _______

b. ☐ Between 51.1% to 99.9% of the total units **(12 points)**
Number of units _______

c. ☐ 20.1% but under to 51% of the total units **(9 points)**
Number of units _______

d. ☐ 10.1% to 20% of the total units, with a minimum of four units **(6 points)**
Number of units _______

e. ☐ 5% to 10% of the total units, with a minimum of four units **(3 points)**
Number of units

f. ☐ Less than 5% of units, with a minimum of four units **(2 points)**
Number of units _______

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g. ☐ For selection components a-f above, if, in addition, the development agrees to provide the project-based rental assistance for a **minimum 10 years** after the last placed in service date for any building in the property or loan closing. The owner must continue renewals of existing project-based housing subsidy payment contract(s). Applicant agrees that rents will remain at affordable at 50% MTSP income limits for a 10 year period if the rental assistance is not available for the full period[6]. **(4 points)**

[5] Formerly known as Group Residential Housing.

[6] **Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Continued Renewal Rental Assisted unit "CRRA Units".** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents and deferred loan documents recorded with the property.

2. Projects that are eligible under B 1. a - f above and have rental assistance (as described above), that agree to further restrict units to households whose incomes do not exceed 30% of MTSP income limit for a 10 year period after the last placed in service date for any building in the property or loan closing**. Rental Assistance Commitment documentation should indicate that deeper income restrictions on project based units is allowable.**[7] Select one:

   a. ☐ 75.1% to 100% of the total units **(7 points)**
   Number of units _______

   b. ☐ 50.1% to 75% of the total units **(6 points)**
   Number of units _______

   c. ☐ 25.1% to 50% of the total units **(5 points)**
   Number of units _______

   d. ☐ 15.1% to 25.1% of the total units **(4 points)**
   Number of units _______

   e. ☐ 5% to 15% of the total units, but no fewer than four units **(3 points)**
   Number of units _______

NOTE: Rental Assistance and Serves Lowest-Income Tenants/Rent Reduction selection criteria cannot be claimed for the same units.

NOTE: Rental Assistance selection criterion cannot be claimed if the development qualifies for or is claiming Existing Federal Assistance under the Preservation criterion. Rental assistance under the Rental Assistance Demonstration Program (components I or II) or the Public Housing Program are also not eligible.

To claim the criterion, the applicant must comply with all program requirements for the assistance at application, including maintaining rents within the appropriate payment standard for the project area in which the project is located for the full compliance and extended use period of the housing tax credits.

Rent for assisted units must be at or below Fair Market Rents (or appropriate payment standard for the project area). Eligibility and agreeing to a minimum number of assisted units does not release owners from their obligations under the Minnesota Human Rights Act and Section 42 prohibiting refusal to lease to the holder of a voucher of eligibility under Section 8 of the United States Housing Act of 1937 because of the status of the prospective tenant as such a holder.

C. Long Term Affordability (3 to 9 points):

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[7] **Specific performance requirement relief provisions are available for projects claiming the Rental Assistance selection criterion for Continued Renewal Rental Assisted Units CRRA Units."** Reference Chapter 6.A. of the HTC Program Procedural Manual for additional details. Specific performance requirements will be incorporated into the Tax Credit Declaration of Land Use Restrictive Covenants and deferred loan documents and deferred loan documents recorded with the property.

1. The owner agrees that the Qualified Contract provisions of IRC §§ 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which provision would permit the owner to terminate the restrictions under this agreement at the end of the compliance period in the event Minnesota Housing does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, except as set out below and, where applicable, agrees to extend the long-term affordability of the project by extending the term of the declaration beyond 30 years (beginning on the first day of the compliance period in which the building is a part of a qualified low income housing project). Select one:

   a. ☐ Extend the term of the declaration and waive the right to Qualified Contract for a minimum of 40 years. **(9 points)**

   b. ☐ Extend the term of the declaration and waive the right to Qualified Contract for a minimum of 35 years. **(8 points)**

   c. ☐ Waive the right to Qualified Contract for a minimum of 30 years. **(7 points)**

   d. ☐ Waive the right to Qualified Contract for a minimum of 25 years. **(3 points)**

3. Areas of Opportunity (1 to 28 points)

A. Economic Integration (2 to 9 points):

1. Projects that meet the requirements under economic integration include (select one):

   a. ☐ Provides the project economic integration by providing at least 25% but not greater than 80% of the total units in the project as qualified assisted low-income units (does not include full-time manager or other common space units) **(2 points)**

      Number of units ________

   b. Promotes economic integration for projects that are located in higher income communities that are outside of Rural/Tribal Designated Areas. First and second tier economic integration areas are outside of racially and ethnically concentrated areas of poverty.

      i. ☐ **First Tier -** The proposed housing is located in a first tier census tract **(9 points)**

      ii. ☐ **Second Tier -** The proposed housing is located in a second tier census tract **(7 points)**

<u>EXCEL HELP TEXT:</u>
Select Economic Integration under Strategic Priority Threshold to enable the checkboxes for First and Second Tier.

The following resources on Minnesota Housing's website may be used to determine if the proposed housing is located in areas that meet the requirements under Economic Integration:
Economic integration area maps and census tract listing: **[insert link]**
Rural/Tribal Designated areas maps and census tract listing: **[insert link]**

Economic integration and Rural/Tribal Designation Area map overlays in the community profiles interactive mapping tool: **[insert link]**

B. Access to Higher Performing Schools (4 points):

1. Projects serving families in locations that will provide access to higher performing schools must have at least 25% of total assisted units, with a minimum of 15 units, contain two or more bedrooms, and the owner agrees to market the units to families with minor children.

   a. ☐ The proposed housing will serve families and is located in an area considered to have Access to Higher Performing Schools **(4 points)**

   Enter number of units to be marketed to families with minor children:
   2 Bedrooms: ______
   3 Bedrooms: ______
   4 Bedrooms: ______

Access to Higher Performing Schools area maps: **[insert link]**

Access to Higher Performing Schools Area map overlays in the community profiles interactive mapping tool: **[insert link]**

C. Workforce Housing Communities (3 to 6 points):

1. Projects located in a city or township needing workforce housing (communities having a large number of jobs or job growth, individual employer growth, or having a large share of their workforce commuting long distances). Select one:

   a. ☐ The proposed housing is in a Top Job Center or Net Five Year Job Growth Community **(6 points)**

   b. ☐ The proposed housing is in an Individual Employer Growth community where an individual employer has added at least 100 net jobs (for permanent employees of the company) during the previous five years, as evidenced by documentation signed by an authorized representative of the company, subject to validation by Minnesota Housing **(6 points)**

   c. ☐ The proposed housing is in a Long Commute Community **(3 points)**

In the metropolitan area, project locations must be within five miles of a workforce housing city or township. In Greater Minnesota, project locations must be within ten miles of a workforce housing city or township.

Top Job Centers, Net Five Year Job Growth communities, and Long Commute communities lists and maps: **[insert link]**

Proximity to workforce housing in the community profiles interactive mapping tool: **[insert link]**

D. Location Efficiency (1 to 9 points):

1. For Projects in the **Twin Cities metropolitan area**, indicate whether the project will promote location efficiency based on access to transit and walkability.

   a. Access to Transit: To claim access to transit in the Twin Cities metropolitan area, a project must be (select one):

      i. ☐ Located within one half mile of a planned[8] or existing LRT, BRT, or commuter rail station **(7 points)**;

      ii. ☐ Located within one quarter mile of a fixed route stop on Metro Transit's Hi-Frequency Network **(4 points)**

      iii. ☐ Located within one quarter mile of a high service[9] public transportation fixed route stop **(2 points)**;

      iv. ☐ Located within one half mile of an express bus route stop **(2 points)**

      v. ☐ Located within one half mile of a park and ride facility **(2 points)**

   b. Walkability: To claim walkability in the Twin Cities metropolitan area, a project must meet the Access to Transit criterion described above, and be (select one):

      i. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com **(2 points)**

      ii. ☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com **(1 point)**

2. For projects in **Greater Minnesota**, choose from **urbanized areas** and **rural and small urban areas**. Urbanized areas, according to the U.S. Census are places with populations greater than 50,000, and are defined by the Minnesota Department of Transportation (MnDOT)[10] as areas in and

[8] Includes planned stations on future transitways that are in advance design or under construction that meet the following criteria: issuance of a draft EIS, station area planning underway, and adoption by the Metropolitan Council Transportation Policy Plan. Transitways entering into advance design after publication will be eligible, but data may not be available using Minnesota Housing scoring tools.

[9] High service fixed route stop is defined as those serviced from 6 am to 7 pm and with service approximately every half hour during that time.

[10] Greater Minnesota Transit Investment Plan: http://www.dot.state.mn.us/transitinvestment

around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead, Mankato and St. Cloud. Rural and small urban areas are places with populations fewer than 50,000.

a. Urbanized Areas (population greater than 50,000)[11]:

   i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one):

      1. ☐ Located within one quarter mile of a planned [12]or existing public transportation fixed route stop **(7 points)**;

      2. ☐ Located between one quarter mile and one half mile of a planned or existing public transportation fixed route stop **(4 points)**;

      3. ☐ Located less than one half mile of an express bus route stop or park and ride lot **(4 points)**

   ii. Walkability: To claim walkability, a project in Greater Minnesota must meet the Access to Transit criterion described above, and be (select one):

      1. ☐ Located in an area with a Walk Score of 70 or more according to www.walkscore.com **(2 points)**;

      2. ☐ Located in an area with a Walk Score between 50 and 69 according to www.walkscore.com **(1 point)**

b. Rural and Small Urban Areas (population fewer than 50,000). For rural and small urban areas, applicants may claim Location Efficiency by having access to route deviation service or demand response/dial-a-ride, and walkability. Route deviation service[13] is different from fixed route transit in that the vehicle may leave its predetermined route upon request by passengers to be picked up or returned to destinations near the route, after which the vehicle returns to the predetermined route. Passengers may call in advance for route deviations similar to that of demand response/dial-a-ride or access the service at designated route stops without advanced notice. Demand response usually involves curb-to-curb or door-to-door service with trips scheduled in advance (also known as “Dial-A-Ride”).

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[11] Eligible areas are those in and around Duluth, East Grand Forks, La Crescent, Rochester, Moorhead and St. Cloud. These are the seven MnDOT identified fixed route transit systems for Greater Minnesota.
[12] For a Greater Minnesota planned stop to be claimed, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop of route must be available M-F and provide service every 60 minutes for a minimum of 10 hours per day.

[13] Applicants can find providers by county or city on MnDOT’s website, https://www.dot.state.mn.us/transit/riders/index.html, and the service type in MnDOT’s annual transit report, http://www.dot.state.mn.us/govrel/reports/2017/transit.pdf

i. Access to Transit: To claim access to transit, a project in Greater Minnesota must be (select one):

1. ☐ Located within one quarter mile of an existing or planned[14] designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with no more than two hour advance notice. **(7 points)**

2. ☐ Located between one quarter mile and one half mile of an existing or planned designated stop that has service every 60 minutes OR served by demand response/dial-a-ride with prior day notice. **(4 points)**

3. ☐ The proposed housing has access to demand response/dial-a-ride service not meeting the scheduling terms above **(2 points)**

ii. Walkability: To claim walkability, a project in Greater Minnesota must meet the Access to Transit criteria described above, and be (select one):

1. ☐ Located in an area with a Walk Score of 50 or more according to www.walkscore.com **(2 points)**

2. ☐ Located in an area with a Walk Score between 35 – 49 according to www.walkscore.com **(1 point)**

At the time of application, the applicant must submit a map identifying the location of the project with exact distances to the eligible public transit station/stop and include a copy of the route, span and frequency of service.

Access to transportation maps and census tract listings are found on Minnesota Housing's website: **[insert link]**

Community profiles interactive mapping tool: **[insert link]**

4. Supporting Community and Economic Development (1 to 18 points)

A. Community Development Initiative (3 points):

1. Project contributes to active implementation of a Community Development Initiative to address locally identified needs and priorities, with active engagement by local stakeholders. The initiative can be created by, and involve engagement from, a wide variety of public and private local community development partners such as cities, counties, employers, private foundations, public housing authorities, or other community stakeholders. The plan must contain more components

[14] For a Greater Minnesota planned stop to claimed, applicants must provide detailed location and service information including time and frequency of service, along with evidence of service availability from the transit authority providing service. The planned stop of route must be available M-F and provide service every 60 minutes for a minimum of 10 hours per day.

than the project itself. Documentation must be provided that addresses four requirements for the Community Development Initiative:

a. Targeted Geographic Area and Map
b. Current implementation plan with goals or outcomes specific to the need identified by the initiative
c. Affordable housing as a key strategy of the initiative
d. A list of stakeholders, including their role in active implementation of the initiative

If a project is located in a Qualified Census Tract (QCT), in order to be eligible for these points, the project must provide additional evidence that demonstrates a strategy for obtaining commitments of public and/or private investment in non-housing efforts to demonstrate that the project contributes to a concerted community revitalization plan.

Applicants must complete the Community Initiative Narrative and submit documentation demonstrating how the initiative meets the requirements outlined below. Documents can include plans, charters or other evidence demonstrating active implementation of the Community Development Initiative. Note that comprehensive and land use plans are not by themselves considered evidence of a Community Development Initiative.

REQUIRED	DECSRIPTION OF REQUIREMENT	REQUIRED DOCUMENTATION
1. Targeted Geographic Area + Map	A Targeted Geographic Area and map of the area. The Targeted Geographic Area boundaries must be larger than the proposed rental project site, yet within a measurable impact area. For larger geographic areas, the Targeted Area must be small enough that one municipality or county (or a small conglomerate of municipalities or counties) can exercise jurisdiction over it.	Yes
2. Current implementation plan with goals or outcomes specific to the need identified by the initiative	Include milestones or steps of the plan that have been: 1. Completed 2. Underway 3. Planned	Yes
3. Affordable housing as a key strategy	Affordable housing is identified as a key strategy of the initiative.	Yes
4. Stakeholder List and Role	Provide a list of local stakeholders involved and a description of their role in the active implementation of the initiative.	Yes
REQUIRED FOR PROJECTS IN A QCT		
1. Public or Private Investment (non-housing)	Demonstrated strategy for obtaining commitments of public or private investment (or both) in non-housing infrastructure, amenities, or services that could include, but is not limited to: • Commercial/retail development • Economic development • Education-related initiatives/development • Environmental clean-up • Public works/infrastructure • Parks, green space and recreation • Transit-oriented development or transit initiatives	Required if the project is in a QCT

EXCEL HELP TEXT:
Select Community Development Initiative under Strategic Priorities to enable checkboxes for Community Development Initiative**.**

B. Eventual Tenant Ownership (1 point):

1. ☐ Projects with detached single-family units are eligible for homeowner conversion. The project owner must submit a preliminary conversion plan with their application that is consistent with the requirements of the Eventual Tenant Ownership (ETO) Guide. The plan must address the transfer of 100% of the HTC unit ownership after the end of the 15-year compliance period

from the initial ownership entity (or Minnesota Housing approved "Transfer of Ownership" entity) of the project to tenant ownership. **(1 point)**

The unit purchase price at time of sale must be affordable to buyers with incomes meeting HTC eligibility requirements. To be eligible, the buyer must have an HTC qualifying income at the time of initial occupancy (HTC rental tenant). The final conversion plan, to be submitted by the 15th year of initial compliance, must incorporate an ownership exit strategy, a third party Property Capital Needs Assessment report and budget for capital improvements, and services including homeownership education and training. A final conversion plan complying with all of the requirements of the ETO Guide must be submitted to, and approved by, Minnesota Housing prior to commencing the conversion.

The Declaration of Land Use Restrictive Covenants will contain provisions ensuring compliance with these Eventual Tenant Ownership commitments by the owner, including a right of first refusal allowing tenants to purchase their units. (Refer to the Eventual Tenant Ownership (ETO) Guide and also to Chapter 3W of the HTC Program Procedural Manual for additional information.)

NOTE: Until the time the HTC units are purchased by qualified tenants or in the event that not all HTC units are acquired by qualified tenants, the owner will extend the duration of low-income use for the full extended use period.

C. Rural/Tribal (10 points):

Projects located in Rural/Tribal Designated Areas outside of the Twin Cities seven-county metropolitan area.

1. ☐ The proposed housing is located in a census tract eligible as a Rural/Tribal Designate Area outside of the Twin Cities seven-county metropolitan area. **(10 points)**

Rural/Tribal Designated Area maps and census tract listing: **[insert link]**

Rural/Tribal Designation Area map overlays in the community profiles interactive mapping tool: **[insert link]**

D. QCT/Community Revitalization and Tribal Equivalent Areas (1 point):

1. ☐ The proposed housing is located in a QCT Community Revitalization Area or a Tribal Equivalent Area **(1 point)**

   To be eligible for the QCT/Community Revitalization criterion, the project must be located in a Qualified Census Tract (See Qualified Census Tract – Reference Materials Index) and be part of a concerted plan that provides for community revitalization consistent with the definition described in the Community Development Initiative selection criterion.

To be eligible for the Tribal Equivalent Areas criterion, the project must be located in one of the Tribal Equivalent Areas: **[insert link]**

Find these areas in the community profiles interactive mapping tool: **[insert link]**

E. Minority-owned/Women-owned Business Enterprise (MBE/WBE) (3 points):

1. ☐ The project sponsor, executive director of a non-profit, general contractor, architect, or management agent is a MBE/WBE[15], as certified by the owner. **(3 points)**

5. Preservation (5 to 30 points)

A. Criteria:

1. Existing Federal Assistance (5 to 30 points):

Definition: Any housing receiving project-based rental assistance or operating subsidies under a U.S. Department of Housing and Urban Development (HUD), U.S. Department of Agriculture Rural Development (RD), NAHASDA or other program that is not scheduled to sunset or expire. Properties that have converted their type of federal rental assistance through the Rental Assistance Demonstration program, Component 2 (RAD 2, and RAD for Project Rental Assistance Contracts (PRAC) are eligible. Such assistance must have been committed to the property 15 years prior to the year of application.

Owner will continue renewals of existing project based housing subsidy payment contract(s) for as long as the assistance is available. Except for "good cause," the owner will not evict existing subsidized residents and must continue to renew leases for those residents. Developments with qualified Existing Federal Assistance and which have secured additional federal rental assistance (including through an 8bb transfer) should count the total number of assisted units below. Such units are not eligible to be counted under Rental Assistance.

Select an option from either a. or b. below.

a. Existing Federally Assisted Units:

i. ☐ 100% of units are federally assisted **(30 points)**
Number of units _______

ii. ☐ 75.01% - 99.99% of units are federally assisted **(22 points)**
Number of units _______

iii. ☐ 50.01 - 75% of units are federally assisted **(15 points)**
Number of units _______

iv. ☐ 25.01% - 50% of units are federally assisted **(10 points)**
Number of units _______

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[15] A MBE/WBE is a tribe or tribally-designated housing entity, tribal corporate entity, or another entity which is at least 51% owned by one or more minority persons or women, and whose management and daily business operations are controlled by one or more minority persons or women who own it.

v. ☐ Less than 25% of units are federally assisted **(5 points)**
Number of units _______

b. Partially assisted projects with Existing Federally Assisted Units in Economic Integration census tracts:

i. ☐ 75.01 - 99.99% of units are federally assisted **(30 points)**
Number of units _______

ii. ☐ 25.01 - 75% of units are federally assisted **(20 points)**
Number of units _______

iii. ☐ Less than 25% of units are federally assisted **(10 points)**
Number of units _______

OR

2. **Critical Affordable Units at Risk of Loss (6 points)**

a. ☐ Any housing with a current recorded deed restriction limiting rent or income restrictions at or below the greater of 80% of statewide median income or area median income. Includes existing public housing units, including converting through Rental Assistance Demonstration Program, Component 1 (RAD 1), tax credit units, Rural Development funded units without rental assistance and Existing Federal Assistance not described in paragraph 1. above (e.g., 202, 236) or other programs limiting income and rent restrictions as stated above.

AND

You must also claim and be eligible under Serves Lowest Income Tenants/Rent Reduction criterion. Unless the project is a RAD 1 conversion with 50% of more of the units covered by a section 8 rental assistance contract. **(6 points)**

6. Efficient Use of Scarce Resources and Leverage (0 to 38 points)

A. Financial Readiness to Proceed/Leveraged Funds (0 to16 points):

1. Applicants who have secured funding commitments for one or more permanent capital funding sources at the time of application, except commitments for funding from Minnesota Housing and Funding Partners (i.e., Minnesota Department of Employment and Economic Development, Family Housing Fund, Greater Minnesota Housing Fund, Metropolitan Council Local Housing Incentive Account) are only included if obtained in a previous funding cycle/round. **All capital funding sources must be counted in this criterion.**

2. Calculate your total using the formula below, and then select the appropriate option. The calculation must exclude first mortgage financing and any anticipated proceeds from the current tax credit request.

Total eligible funding secured, awarded or committed (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate[16]) **$______divided by Total Development Cost** (excluding first mortgage financing net of the Tax Increment Financing (TIF) portion, if applicable, any anticipated proceeds from the current tax credit request, and sales tax rebate) **$______ equals Percentage of Funds Committed ______% (round to nearest tenth):**

a. ☐ 70% or more of funding secured, awarded or committed[17] **(16 points)**

b. ☐ 60% to 69.9% of funding secured, awarded or committed **(14 points)**

c. ☐ 50% to 59.9% of funding secured, awarded or committed **(12 points)**

d. ☐ 40% to 49.9% of funding secured, awarded or committed **(10 points)**

e. ☐ 30% to 39.9% of funding secured, awarded or committed **(8 points)**

f. ☐ 20% to 29.9% of funding secured, awarded or committed **(6 points)**

g. ☐ 10% to 19.9% of funding secured, awarded or committed **(4 points)**

h. ☐ 9.9% and below of funding secured, awarded or committed **(0 points)**

The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, or statement of agreement or eligibility. Commitment documentation must state the amount, terms and conditions and be executed or approved by the lender or contributor and the applicant. Documentation containing words synonymous with “consider” or “may,” (as in “may award”) regarding the commitment will not be acceptable.

Financial Readiness/Leverage Funding Commitments include:

- Syndication proceeds due to previously awarded tax credits: Syndication proceeds from tax credits awarded in a previous cycle/round may be included if verification is included in the application. Acceptable verification is an executed syndicator agreement or executed Letter of Intent from the syndicator that is acceptable to Minnesota Housing. The executed Letter of Intent must:
    - Be current within 15 days of submission of the application
    - Contain a projected closing date for the development
    - Contain a projected equity price for the purchase of the credit
    - Contain a detailed explanation of the assumptions being used by the syndicator to arrive at the projected equity price
- Monetary grants/donations
- Amortizing first mortgage incorporates tax abatement for properties with a first mortgage

[16] Sales tax rebate, for the purpose of this scoring category, should be calculated as 40% of the construction contract amount multiplied by the local tax rate for the area where the project is located.

[17] Projects that have both a numerator and denominator equal to zero are eligible to claim 70 % or more of funding secured, awarded or committed.

- Tax Increment Financing (TIF): Provide satisfactory documentation that the contribution is committed to the development at the time of application, including a letter from the city and a city council resolution, indicating its intention to provide TIF assistance and the anticipated amount and term. The documentation should include the TIF analysis from the city or its consultant.
- Deferred loans with a minimum 30-year term with an interest rate at or below the Applicable Federal Rate (AFR)
- Grants from nonprofit charitable organizations converted to deferred loans with a minimum 30-year term that is with an interest rate at or below the AFR. Award letter from the nonprofit charitable organization contributor must be provided at the time of application verifying the contribution. Documentation must evidence that the contribution is restricted for housing development uses and the contribution must be included as a development source.
- Historic Tax Credits: In addition to the commitment documentation, at the time of application provide written documentation of eligibility through evidence of Historic Register listing or approval of Part 1—Evaluation of Significance.
- Funder commitments to modify existing debt including: approval of assumption of debt and extension of loan term; commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation of approval from the funder clearly demonstrating that the approval is for the re-syndication /receipt of new deferred or tax credit award, justifying the amount and the terms of the contribution must be provided.
  Deferred developer fee: The applicant must provide the required commitment documentation and provide evidence of repayment within 10 years by the projected cash flow.

NOTE: Financial Readiness to Proceed /Leveraged Funds and Other Contributions selection criteria cannot be claimed for the sources.

B. Other Contributions (0 to 10 points):

1. For projects that receive non-capital contributions referenced below from the federal government; a local unit of government; an area employer; and/or a private philanthropic, religious or charitable organization. Calculate your total using the formula below, and then select the appropriate option.

   Identity of Interest exclusion: Contributions from any part of the ownership entity will be considered general partner cash and excluded from the calculation unless the contributions are awarded by 1) nonprofit charitable organizations pursuant to a funding competition; 2) local units of government; or 3) tribal governments or tribally designated housing entities.

   Total “Other” non-funding contributions from federal/local/philanthropic sources $_____ divided by Total Development Cost $_____ equals (rounded to the nearest tenth):

   a. ☐ 20.1% and above **(10 points)**

   b. ☐ 15.1 to 20% **(8 points)**

   c. ☐ 10.1 to 15% **(6 points)**

   d. ☐ 5.1 to 10% **(4 points)**

e. ☐ 2.1 to 5% **(2 points)**

f. ☐ 0 to 2 % **(0 points)**

At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs. The documentation must be in the form of a project specific Letter of Intent, city or council resolution, letter of approval, statement of agreement or eligibility, or memorandum of understanding.

The documentation must state the amount, terms and conditions and must be executed or approved, at a minimum, by the contributor. Documentation containing words synonymous with “consider” or “may” (as in “may award”) regarding the contribution will not be acceptable. Lack of acceptable documentation will result in the reevaluation and adjustment of the tax credits or RFP award, up to and including the total recapture of tax credits or RFP funds.

Other Contributions include:

- Land donation or city write-down of the development site. Documentation used to determine the market value must be submitted. This could include an appraisal, assessment information, broker opinion with comparable properties, or other data deemed acceptable by Minnesota Housing.
- In-kind work and materials donated at no cost
- Local government donation/waiver of project specific costs, assessments or fees (e.g., SAC/WAC)
- Reservation land not subject to local property taxes calculate net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for the term of the LURA)
- Reservation land with long-term low cost leases
- Funder commitments to modify existing debt including: debt forgiveness; forgiveness of interest payable; reduction in interest rate (measured as amount of interest saved over term of loan). Commitments must contain no contingencies other than receipt of a tax credit award. At the time of application, written documentation from the funder justifying the amount and the terms of the contribution must be provided.
- Tax Increment Financing (TIF) (calculate the net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for the term of the TIF loan). Provide satisfactory documentation that the contribution is committed to the development at the time of application, including a letter from the city and a city council resolution, indicating its intention to provide TIF assistance and the anticipated amount and term. The documentation should include the TIF analysis from the city or its consultant.
- Tax abatement (calculate net present value (NPV) by using NPV discounted by applicable federal rate (AFR) for 30 years).

NOTE: Financial Readiness to Proceed /Leveraged Funds and Other Contributions selection criteria cannot be claimed for the sources.

C. Intermediary Costs (0 to 6 points):

1. Intermediary costs are third-party service costs related to the project development. Excluded costs are Park Dedication Fees, Surveys, Soil Borings, Payment and Performance Bond Premium, Sewer-Water Access Charge, Furnishing and Equipment, and Hazard and Liability Insurance.

Projects with the lowest intermediary costs on a sliding scale based on percentage of total development costs. For selected projects, this percentage will be enforced at the time of closing for deferred loans or at issuance of the IRS Form 8609 for HTC developments. Calculate your total using the formula below, and then select the appropriate option.

Intermediary cost amount $______ divided by Total Development Costs $______ Equals Intermediary Percentage ______% (rounded to the nearest tenth):

a. ☐ 0.0 to 15% **(6 points)**

b. ☐ 15.1 to 20% **(3 points)**

c. ☐ 20.1 to 25% **(2 points)**

d. ☐ 25.1 to 30% **(1 point)**

e. ☐ 30.1% and over **(0 points)**

D. Cost Containment (6 points):

1. ☐ Proposals will receive points based on the cost containment methodology. For each of the four competition groups, the cost per unit of the proposal at the 50th percentile in Round 1 will determine the cut-off point or threshold for receiving points for 4% tax credits. **(6 points)**

NOTE: Proposals that believe they have contained their costs should select this criterion. Only proposals that claim cost containment and are awarded-through the process described above will be eligible for cost containment.

CAUTION: If a project receives points under this criterion, failure to keep project costs under the applicable cost threshold will be considered an unacceptable practice and will result in negative four points being awarded in all of the applicant's tax credit submissions in the next funding round in which submissions are made. The penalty will be assessed to an application submitted to the same funding round (Competitive or 4% Only) for which the points were initially awarded. Tax credit developments awarded points via the 4% Only allocation process will receive a penalty if the points were necessary to meet the minimum point requirement._ If developers are concerned about their costs and keeping them within the "applicable cost threshold," they should not claim the cost-containment points.

Cost Containment Methodology: **[insert link]**

7. Building Characteristics (1 to 4 points)

A. Universal Design (3 points):

1. A unit that includes all Minimum Essential Universal Design Features below, along with eight Optional Features for units in a new construction or adaptive re-use project, and four Optional Features for units in a rehabilitation project. Type A accessible units (as referenced in Minnesota

Housing's Rental Housing Design and Construction Standards) also meet the definition of a Universal Design unit.

Select one:

a. ☐ An elevator building with 100% of assisted units meeting the definition of a Universal Design Unit **(3 points)**; **OR**
Number of units_

b. ☐ A non-elevator building with at least 10% of assisted units meeting the definition of a Universal Design Unit **(3 points)**
Number of units

Minimum Essential Universal Design Features:

- At least one bedroom or space that can be converted to a bedroom (without changing door locations for new construction or adaptive re-use) on an accessible level and connected to an accessible route, or efficiency units (without a bedroom) on an accessible level and connected to an accessible route
- 42" minimum hallways within a unit for new construction or adaptive re-use
- At least one three quarter bathroom on an accessible level with five foot open radius for new construction or adaptive re-use, and clear floor space of 30" x 48" for rehabilitation
- Lever handles on all doors and fixtures
- Provide wall blocking in all tub and shower areas for new construction or adaptive re-use, and for rehabilitation if showers are being replaced
- Door thresholds flush with the floor with maximum threshold height of ½" beveled or ¼"square edged
- Kitchen and laundry appliances have parallel approach clear floor space with all controls within maximum height of 48". Range controls must have lockout feature. Stackable laundry units with a maximum reach range of 54" will meet this requirement
- Kitchen sink area 30" wide minimum with cabinet panel concealing piping or a removable base cabinet
- All common spaces and amenities provided in the housing development located on an accessible route
- For new construction or adaptive re-use projects, deck and patio spaces must have a step-less transition meeting door threshold requirements above, with decking gaps no greater than ¼". A step-less transition and door threshold meeting requirements as promulgated by Minnesota Accessibility Code for Type A units is also permitted.
- Universal Design features are incorporated in an aesthetic, marketable, non-institutional manner

Optional Features:

- High contrast finish selections that include floor to wall transitions, top treads of stairs, counters and adjacent flooring and walls
- Single lever, hands free or touch faucets
- At least 50% of kitchen storage space within reach range. This can include pull-out shelves, full extension glide drawers or pantry design
- A variety of work surface heights in kitchen and one five foot open radius

- Roll under vanity or sink in 25% of Universal Design qualifying units, rounded up to the nearest whole number
- Cabinet hardware with "D" type pull handles or operation for people with limited dexterity
- Zero threshold shower or transfer space at tub is provided for minimum of half the qualifying Universal Design units, rounded up to the nearest whole number
- Slip resistant flooring in kitchens and baths
- Toilets provided with seats 17"– 19" from the floor
- Windows are provided with maximum sill height of 36", parallel clear floor space and locks/operating mechanism within 48" and easily operable with one hand. Sidelight or view window at main entry door from a seated position
- Thermostats designed for visually impaired or ability to monitor and operate with electronic device such as a tablet computer
- Closet storage is adjustable in a majority of the closets provided
- Audio/visual doorbell
- Covered entry with adequate lighting and interior or exterior bench space for parcels or groceries
- Lettering and numbering with all characters and symbols contrasting with their background
- Parking spaces provided for at least 50% of Universal Design qualifying units, rounded up to the nearest whole number, with a five foot wide adjacent auxiliary space connected to accessible route
- Residential elevator or chair lift space structured for future use in multiple level homes
- Enterprise Green Communities Model Specifications are used for applicable sections for the Universal Design qualifying units
- On-site physical activity is provided for in a fitness area, biking or walking path or community garden
- Other modifications that make units livable for disabled populations, as demonstrated by credible evidence provided in the application, and at the sole discretion of Minnesota Housing

B. Smoke Free Buildings (1 point):

1. ☐ The projects will institute and maintain a written policy[18]* prohibiting smoking in all the units and all common areas within the building/s of the project. The project must include a non-smoking clause in the lease for every household. Projects awarded a point in this scoring criteria will be required to maintain the smoke-free policy for the term of the declaration. **(1 point)**

8. Unacceptable Practices (-4 to -25 points)

Minnesota Housing will impose penalty points for unacceptable practices as identified in Chapter 2.G. of the HTC Program Procedural Manual.

Total Points

[18] The written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and establishment of smoking areas outside of units and common areas if applicable. Consequences for violating the smoke-free policy are determined by the owner but must be included in the written policy.

TOTAL DEVELOPER CLAIMED POINTS:

TOTAL MINNESOTA HOUSING AWARDED POINTS:

Signatures

Under penalty of perjury, owner hereby certifies the information provided herein is true and accurate.

Name of Owner:

By (Signature):

Of (Name of Legal Entity):

Its (Title) (Managing General Partner):

Print or Type Name of Signatory:

NOTE: During the competition process, Minnesota Housing's review of the submitted Self-Scoring Worksheet is only to validate that the points claimed are eligible, to reduce points claimed if not eligible, and to determine points awarded. Minnesota Housing will not award additional points that are not initially claimed by the applicant/owner. Many performance obligations are created by the claiming of certain scoring points. As such, Minnesota Housing will not assume the position of creating any such performance obligations on behalf of the applicant/owner. In addition, applications funded under the Joint Powers Agreement must also comply with the suballocators selection criteria defined in their Qualified Allocation Plan.

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MINNESOTA HOUSING

Board Agenda Item: 8.A
Date: 6/20/2019

Item: 2019 Legislative Session

Staff Contact(s):
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Request Type:

☐ Approval
- ☐ Motion
- ☐ Resolution

☒ No Action Needed
- ☒ Discussion
- ☐ Information

Summary of Request:
The 2019 legislative session concluded with a one-day Special Session Saturday, May 25. Staff will provide an update of legislative actions.

Fiscal Impact:
The 2019 Legislative Session appropriated $120.6 million program funds for State Fiscal Years 2020-21. The Legislature also authorized the agency to issue $60 million in Housing Infrastructure Bonds.

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- FY 2020-21 Legislative Summary

MINNESOTA

Budget for One Minnesota

2019 LEGISLATIVE SUMMARY: HOUSING

Total Investment: $180.6 million

Success in life starts at home for all ages and all people. When we have safe, secure places to live, parents earn more, kids learn better, health and well-being improve, communities prosper, and we all thrive. Our homes are the foundation of our flourishing communities; they fuel the engine of our economy. Yet the affordability of homes in Minnesota, relative to our ability to pay for them, has been declining for years as rising costs for homes, transportation, health care, education and other basic goods outpace the increase in average incomes. This investment will provide opportunities across the housing continuum for individuals and families throughout the state.

INCREASE HOME STABILITY

Provide Housing Stability to Families with Children

On any given day more than 8,600 children are identified as homeless or highly mobile in school districts across the state. **Homework Starts with Home** is an evidence-based initiative that provides assistance to highly mobile families with school-aged children.

Prevent Family Homelessness

When families become homeless or are at imminent risk of homelessness, the **Family Homeless Prevention and Assistance Program** steps in to provide support services, short-term rent assistance, security deposits, utility assistance and more. This helps make homelessness rare, brief and one-time.

Support People with Serious Mental Illness

The state's rental assistance program, **Bridges**, will help people with serious mental illness live in integrated settings in their communities with housing stability that improves access to supportive mental health services. The resources will help Minnesotans with a mental illness stay out of homelessness and institutions.

BUILD MORE HOMES

Create Workforce Housing Opportunities

The affordability of homes has been a competitive advantage for Minnesota and our employers, but a growing shortage of homes and other market conditions are pushing prices beyond the reach of many individuals and families. Through the **Economic Development and Housing Challenge** program, we will develop new rental housing and single family housing opportunities throughout the state. We also help communities redevelop existing sites to create housing that better serves low- to moderate-income homeowners, homebuyers and renters.

SUPPORT AND STRENGTHEN HOMEOWNERSHIP

Create and Preserve Homeownership Opportunities

Minnesota has one of the nation's highest rates of homeownership, while at the same time it has the worst disparity in homeownership rates between white households and households of color. The **Workforce Affordable Homeownership** program provides $500,000 for development costs and manufactured home work infrastructure. Eligible recipients include nonprofit organizations, cooperatives, community land trusts.

PRESERVE THE HOMES WE HAVE

Keep Low-Income Families in their Homes

The **Manufactured Home Park Redevelopment program** provides grants for improvements in manufactured home parks and infrastructure. In 2019 Legislative Session, $2,000,000 was provided to the program. This is the first appropriation since the program was created in 2001. The acquisition of manufactured home parks was added as an eligible use of the program.

HOUSING INFRASTRUCTURE BONDS

Preserve and Expand Access to Affordable Housing for all Minnesotans

The authorization to issue $60 million in Housing Infrastructure Bonds will preserve existing housing and create new homes for Minnesotans across all incomes and in all areas of the state. This resource finances the full range of housing choices, including supportive housing for people experiencing homelessness, senior housing, family housing, and new homeownership opportunities. Housing Infrastructure Bonds leverage additional private development funds and preserve federal dollars for rental assistance. These resources will be available in Minnesota Housing's 2019 Request for Proposal.

FY 2020-21 BUDGET

State Appropriated Program	Description	FY2020-21 Amount	Increase from Base
Economic Development and Housing Challenge (Challenge)	Funds both multifamily rental and single family homeownership new construction and redevelopment. Leverages federal, private and local government funds.	$30,850,000	$5,000,000
Greater Minnesota Workforce Housing Program	Provides competitive financial assistance to build market-rate and mixed-income residential rental properties in Greater Minnesota.	$4,000,000	-
Housing Trust Fund	Provides rental assistance for individuals and families, many of whom have experienced homelessness.	$23,292,000	-
Workforce and Affordable Homeownership	Provides state matching funds to incentivize local governments to dedicate local resources to a housing trust fund to meet their local housing needs.	$500,000	$500,000
Family Homeless Prevention	Provides short-term assistance to families at risk of homelessness. Types of assistance may include one-time rental payments, assistance with first or last month's rent, or one-time mortgage payments.	$20,538,000	$3,500,000
Homework Starts with Home	Provides rent and other housing assistance to families with school-aged children that lack housing stability. On any given day more than 9,000 children are identified as homeless or highly mobile in school districts across the state.	$3,500,000	$3,500,000
Bridges	Provides rental assistance for families in which at least one adult household member has a serious mental illness.	$8,676,000	$500,000
Preservation (PARIF)	Assists with repair, rehabilitation and stabilization of federally assisted rental housing that is at risk of aging out of federal assistance programs.	$8,436,000	-
Rental Rehabilitation Loans	Preserves naturally occurring affordable rental housing.	$7,486,000	-
Rehab Loans (Single Family)	Helps low income homeowners make basic health and safety improvements to their homes. One-third of the homeowners served by the program are seniors and nearly forty percent of households served have someone in the home with a disability.	$5,544,000	-

Manufactured Home Park Redevelopment	Provides grants for manufactured home park acquisition, improvements and infrastructure. This is the first time this has been funded since 2001.	$2,000,000	$2,000,000
Homeownership Assistance Fund (HAF)	Provides funding for the agency's downpayment and closing cost assistance program. Serves low- to moderate-income first time homebuyers throughout the state.	$1,770,000	-
Homeownership Education, Counseling and Training Fund (HECAT)	Provides both pre-purchase homebuyer counseling and foreclosure prevention counseling. State appropriated dollars are paired with federal and private funds to serve thousands of homeowners each year.	$1,714,000	-
Capacity Building	Provides support to organizations for regional coordination and planning.	$1,290,000	-
Build Wealth	Direct appropriation	$1,000,000	-
TOTAL		**$120,596,000**	**$15,000,000**

Bond Type	Description	Recommended Amount
Housing Infrastructure Bonds	• Preserve federally-assisted housing • Build and preserve permanent supportive housing • Purchase land for community land trusts • Build and preserve affordable senior housing • Manufactured home community infrastructure and acquisition	$60,000,000
TOTAL		**$60,000,000**

2019 LEGISLATIVE SESSION AND 1st SPECIAL SESSION

Summary of Outcomes

Funding Changes (Chapter 1, 1st Special Session)

- $120.6 million for FY20-21, $115.6 million for FY22-23
- $5 million one-time increase for Challenge in FY20
- Increases in base funding for:
  - Family Homeless Prevention and Assistance Program (FHPAP): $3.5 million/biennium
  - Homework Starts with Home: $3.5 million/biennium (first time in the base)
  - Bridges: $500k/biennium
  - Manufactured Home Park Redevelopment Program (specifically for park acquisition, a new use, and infrastructure improvements): $2 million in FY20, and $2m/biennium ($1m/year) starting in FY22-23
  - Workforce Affordable Homeownership Program: $500k in FY20, with $500k/biennium ($250k/year) starting in FY22-23 (adds cities and tribes as eligible applicants)
  - New authority to move uncommitted funds between development programs in the second year of a biennium

New Policy (Chapter 1, 1st Special Session)

<u>Language Changes to Agency Programs</u>

- Makes owner-occupied homes eligible for the Greater MN Workforce Housing Development Program, and allows for rent restrictions at the request of the applicant (previously only for market-rate rental)
- Allows the rental rehab program to be made available statewide, to be in the form of grant and for financial assistance to be made without rent or income restrictions.
- Added language to Challenge Program statute specifying that it is not subject to broad interpretation like other parts of agency statute (based on a finding in the OLA report)
- Allows the agency to transfer between development programs in FY 2021

<u>Qualified Allocation Plan</u>

- Eliminated language that that prevented the agency from considering certain criteria (such as cost) in the Qualified Allocation Plan for 4% tax credit projects

<u>Reporting and Transparency Changes</u>

- Requires the agency to report on cost per square foot in biennial reports
- Requires the agency to post scores from RFPs to our website (effective July, 1 2020)
- Requires a “reasonable balance” of loan and grant amounts between the metro and greater MN (effective July 1, 2020)
- Creates new reporting requirements (all info that we already collect from grantees) for organizations that have subgrantees and receive grants from Capacity Building and Homebuyer Education, Counseling and Training (HECAT) programs, and annual reporting by the agency to the legislature by February 15 (effective July 1, 2020)

Manufactured Home Relocation Trust Fund

- Made changes to the Manufactured Home Relocation Trust Fund (MHRTF), mostly in line with the Governor's recommendations
    - Increased trust fund maximum balance from $1 million to $2 million
    - Increased the current allowable relocation radius from 25 to 50 miles of the closed park without raising maximum relocation costs for households that receive funds
    - Required local governments to determine if there was an ordinance in effect on May 26, 2007 that provided compensation to displaced residents, rather than requiring Minnesota Housing to make this determination
    - Timing-related issue fixes:
        - Changes minimum notice for park closures from 9 months to 12 months
        - Extends deadline for residents to vacate from 60 days to 90 days after the required public hearing
        - Adds requirement for re-issuing closure statements if a park does not close within 24 months of initial closure statement
- Allows the agency or MMB to advance up to $400k to the trust fund and be reimbursed
- Required the agency to report on status of the MHRTF in October of each year (instead of January 15th)

Tax-Exempt Bond Allocation

- Change to the Minnesota City Participation Program, which reduced the 31% set aside to 27% for two years then returning to 31%)
- Made changes to the Minnesota Bond Allocation Act, at the request of stakeholders
    - Prioritizes projects that request 55% or less for development costs
    - Further prioritizes projects with deeper, longer-term affordability in lower-income areas
    - Random selection for qualified applicants allows for fully-funding projects, rather than proportional funding
    - Makes senior housing projects eligible earlier in the year
    - Does not allow the 'parking' of bonds

New Housing Infrastructure Bond Authorization (Chapter 13, 1st Special Session)

- **$60 million in new Housing Infrastructure Bond authorization** to increase the supply of and stabilize affordable housing in communities throughout the state.
- Funds will be used to:
    - Preserve federally subsidized rental housing
    - Build supportive housing for persons or families experiencing or at risk of homelessness
    - Acquire land by community land trusts for single family homes for homeownership
    - Affordable housing for seniors age 55 and older earning approximately $24,000-$40,000 per year
    - *New eligible use – manufactured home park acquisition*

Legislative Commission on Housing Affordability (Chapter 10, 1st Special Session)

- Creates a new bipartisan commission of eight total legislators, which is required to study and report on findings regarding a variety of issues related to both rental and homeownership, such as regulation, access and barriers, market forces, construction methods, materials and work force
- Legislative Coordinating Commission required to provide staff and research support

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MINNESOTA HOUSING

Board Agenda Item: 8.B
Date: 6/20/2019

Item: Serving Communities Most Impacted

Staff Contact(s):
John Patterson, 651.296.0763, john.patterson@state.mn.us

Request Type:

☐ Approval	☒ No Action Needed
☐ Motion	☒ Discussion
☐ Resolution	☐ Information

Summary of Request:
As we prepare our 2020-23 Strategic Plan, staff would like to discuss with the Board some broader strategic issues over the next few months. This month, we have prepared a short presentation on serving people and communities most impacted by housing instability.

Fiscal Impact:
None

Meeting Agency Priorities:
☒ Address Specific and Critical Local Housing Needs
☒ Finance Housing Responsive to Minnesota's Changing Demographics
☒ Preserve Housing with Federal Project-Based Rent Assistance
☒ Prevent and End Homelessness
☒ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Serving People and Communities Most Impacted by Housing Instability

People and Communities Most Impacted by Housing Instability

June 13, 2019

MINNESOTA HOUSING

Emerging Potential Themes for the Strategic Plan

- Go big so that everyone can go home
- Create an inclusive, equitable, and just housing system so that everyone can prosper
- Focus on people and communities most impacted by housing instability

Signs or Symptoms of Housing Instability

- Cost Burdened
- Overcrowding
- Substandard / Unsafe Housing
- Doubled Up
- Homelessness

People and Communities Most Impacted by Housing Instability

People

- Lowest Income (e.g. <=30% of AMI)
- People of Color and Indigenous
- People Experiencing Homelessness
- Seniors
- Children

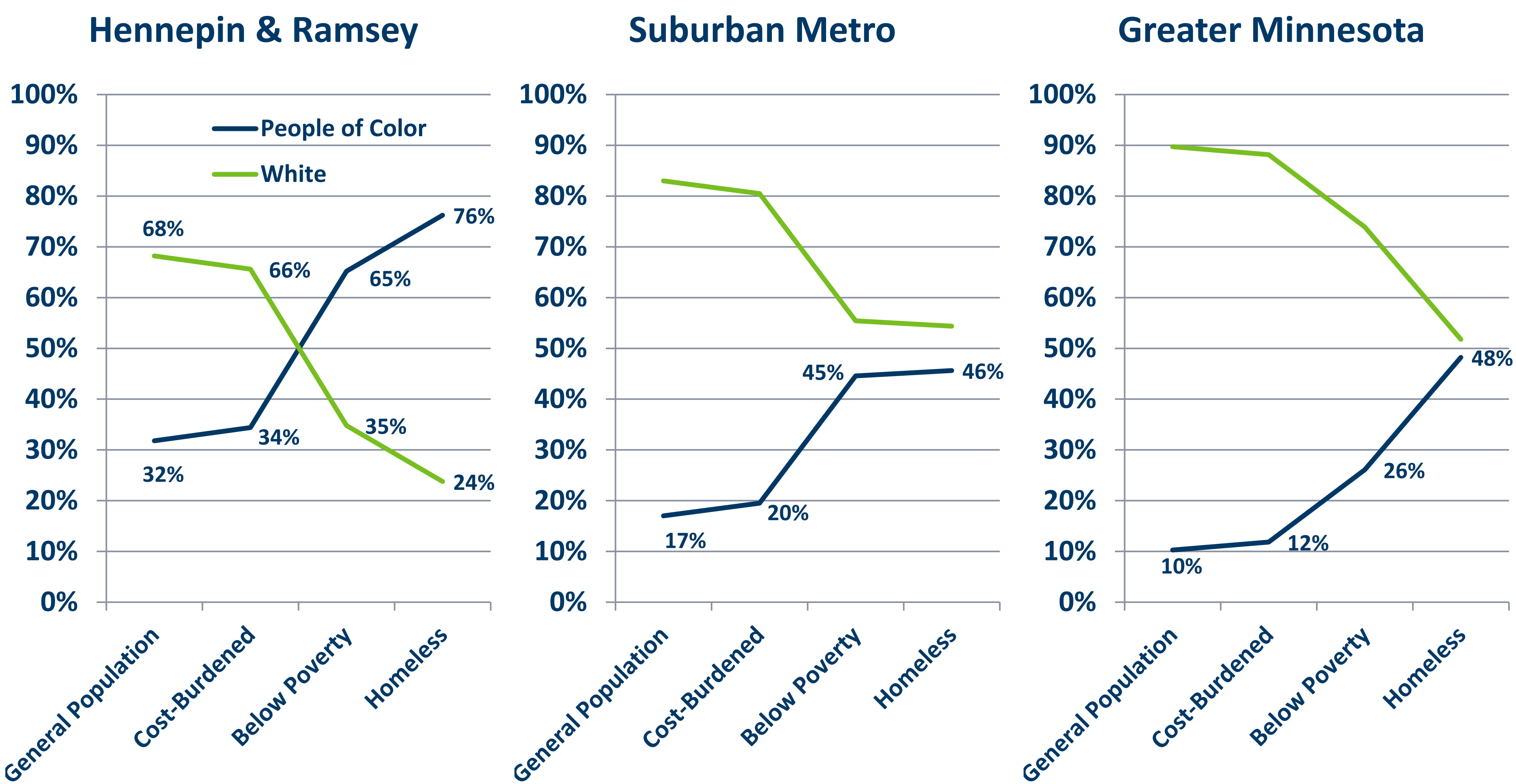
People Facing Barriers and/or Limited Choices

- Poor Credit
- Limited Savings
- Large Families
- Immigrants
- Criminal History
- Evictions
- Mental Illness
- Chemical Dependency
- Chronic Health Issues
- Other Disabilities
- Transitioning Out of Foster Care, Prison, Other Systems

Places

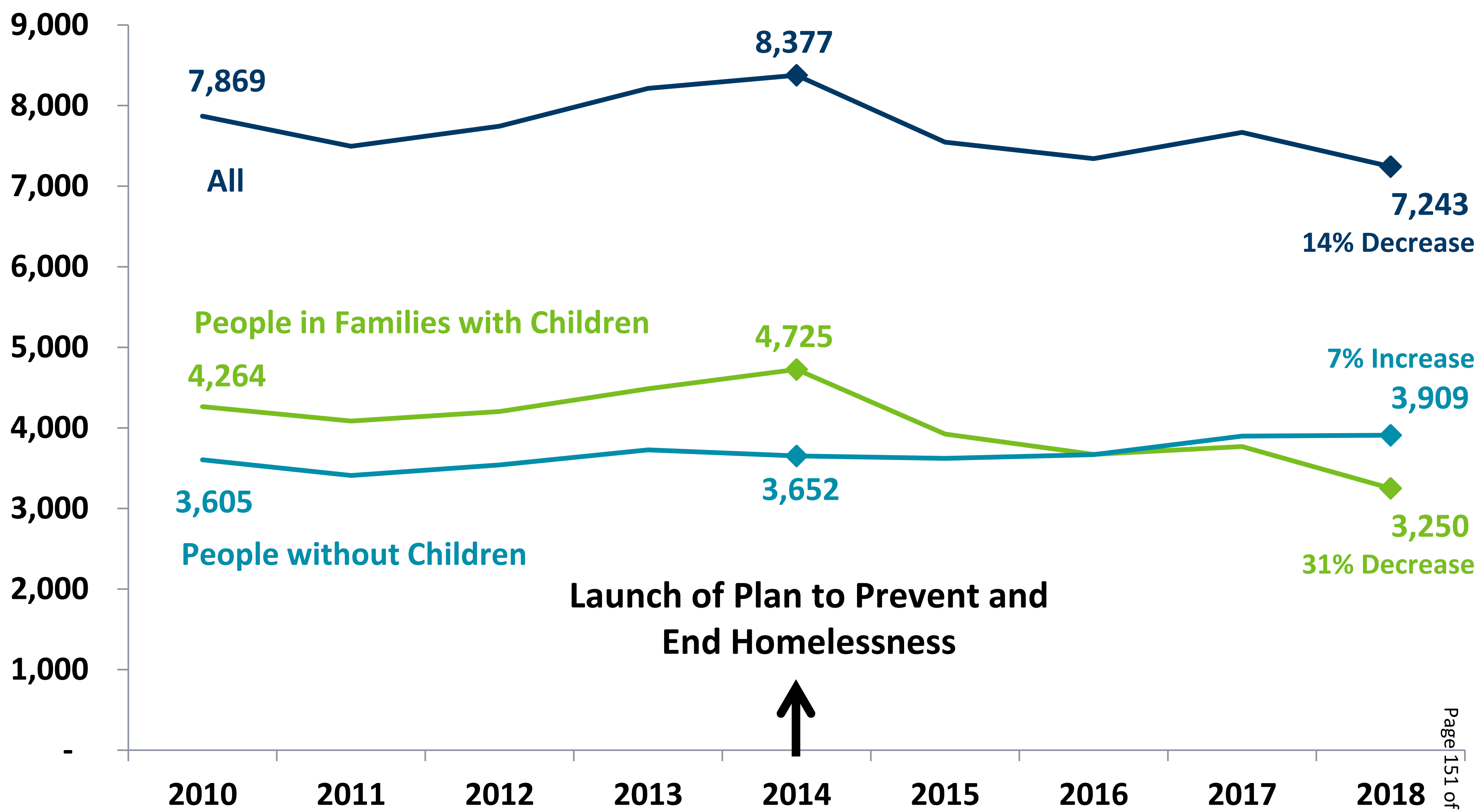
- Communities with Job Growth and Limited Housing
- Disinvested Communities (Urban / Rural)
- Tribal Lands / Nations

Households of Color are Far More Likely to Experience Housing Instability



Source: Minnesota Housing Analysis of U.S. Census Bureau, American Community (2016 1-Yr Sample); and HUD's Homelessness Point-in-Time Count. This format for presenting this data was developed by SPARC.

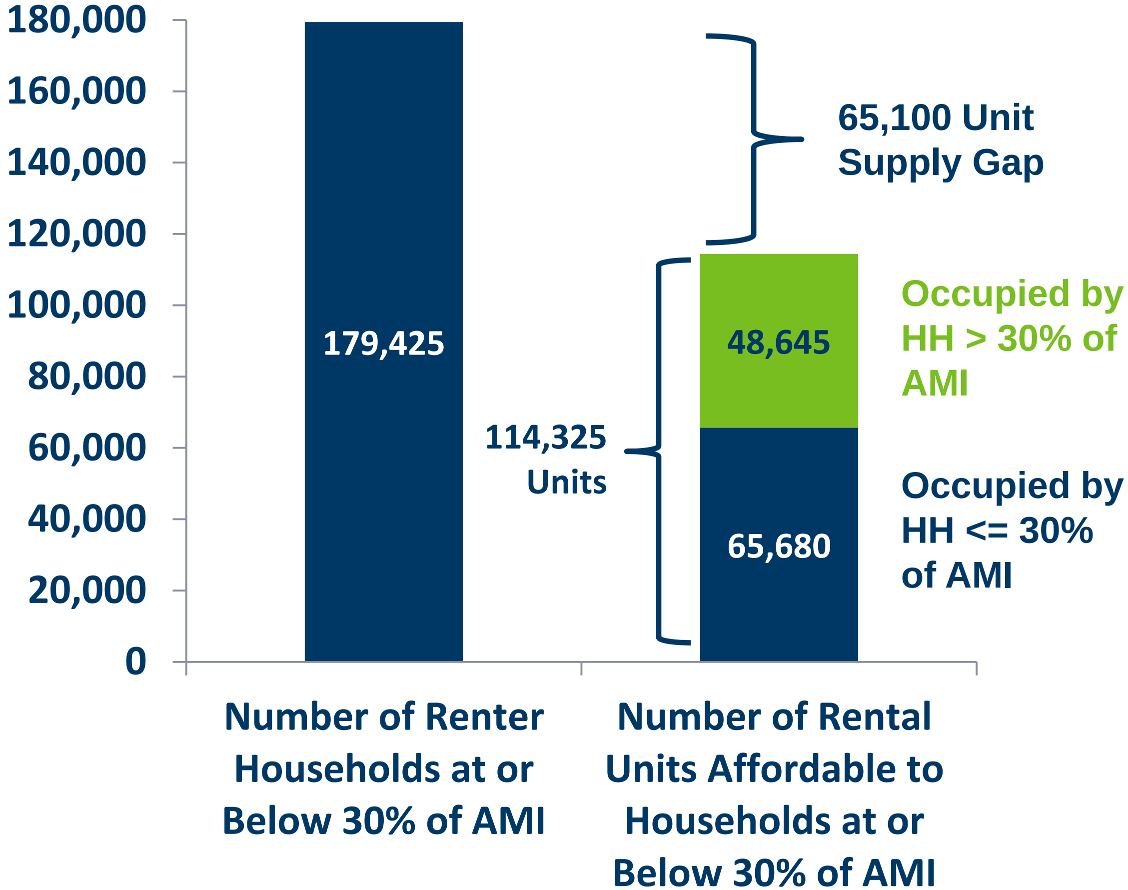
Homelessness in Minnesota
Change Since Launch of Plan in 2014



Source: Point-in-Time Counts for the U.S. Department of Housing and Urban Development.

There is a Severe Shortage of Affordable Rental Housing for the Lowest Income (<=30% of AMI)

Supply Mismatch



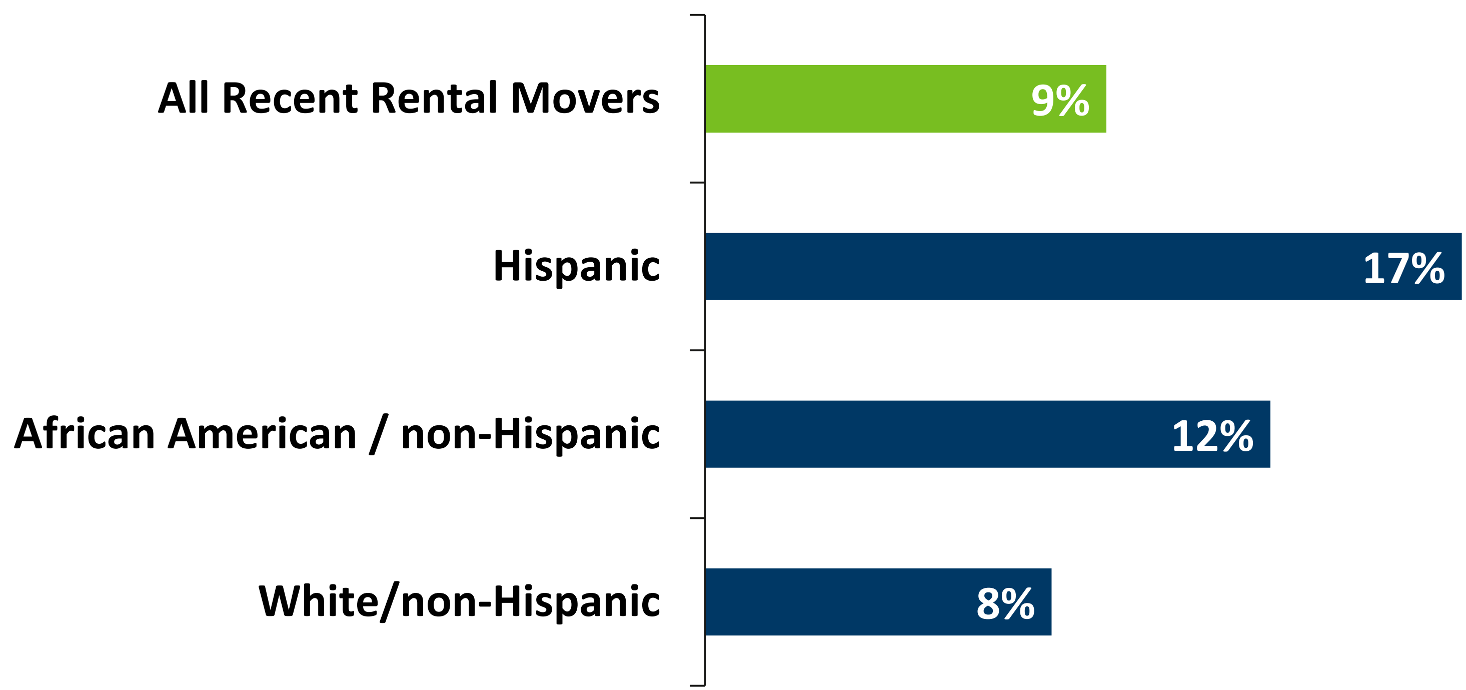
Renter Households with Incomes <= 30% of AMI

- 77% are cost burdened and 59% are severely
- They account for:
  - 30% of all renter households
  - 53% of cost-burdened renter households
  - 79% of severely cost burdened renter households

Source: Minnesota Housing analysis of HUD's 2011-15 CHAS (Comprehensive Housing Affordability Strategy) data.

Households of Color Are More Likely to Face Evictions

U.S.: % of Recent Rental Movers Who Were Evicted or Faced the Threat of Eviction

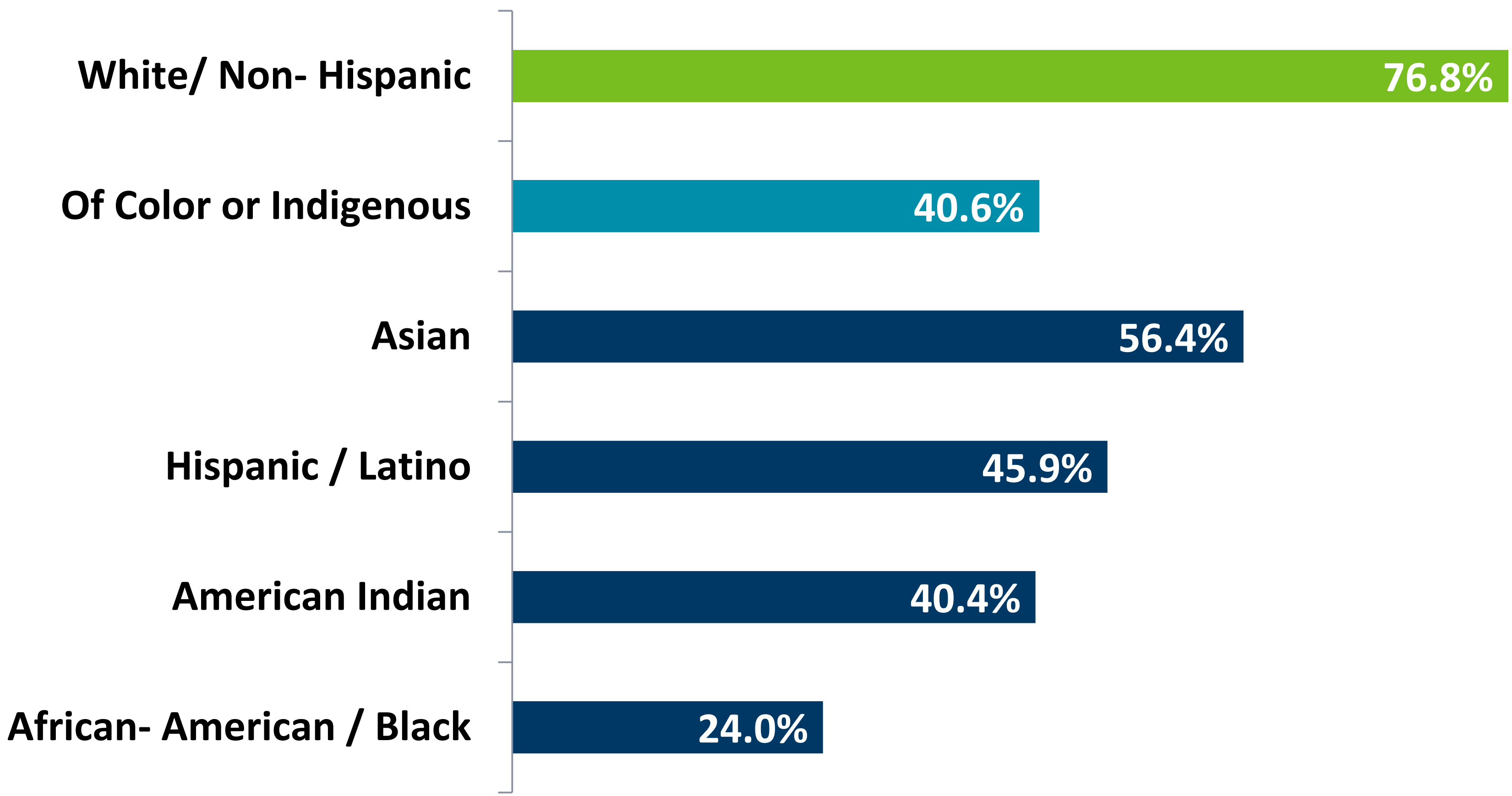


NOTE: Applies to renters who moved in the previous two years.

Source: Board of Governors of the Federal Reserve System, Report on Economic Well-Being of U.S. Households in 2016 (Washington, DC, 2017), p. 40

Households of Color Are Far Less Likely to Homeowners

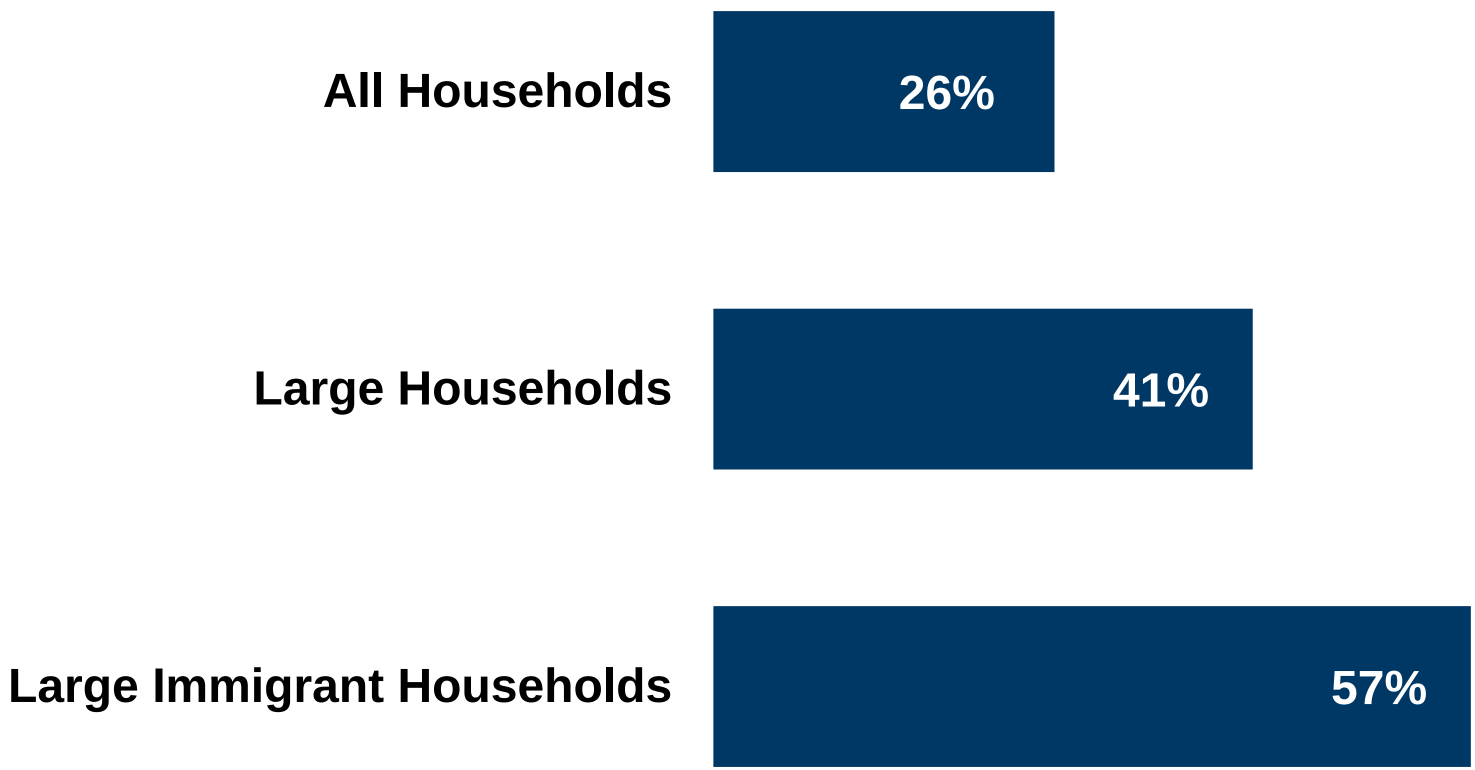
MN: Homeownership Rates by Race



Source: Census Bureau, 2017American Community Survey

Large Immigrant Families (6+ People) Struggle to Achieve Housing Stability

MN: % of Households Overcrowded or Cost Burdened

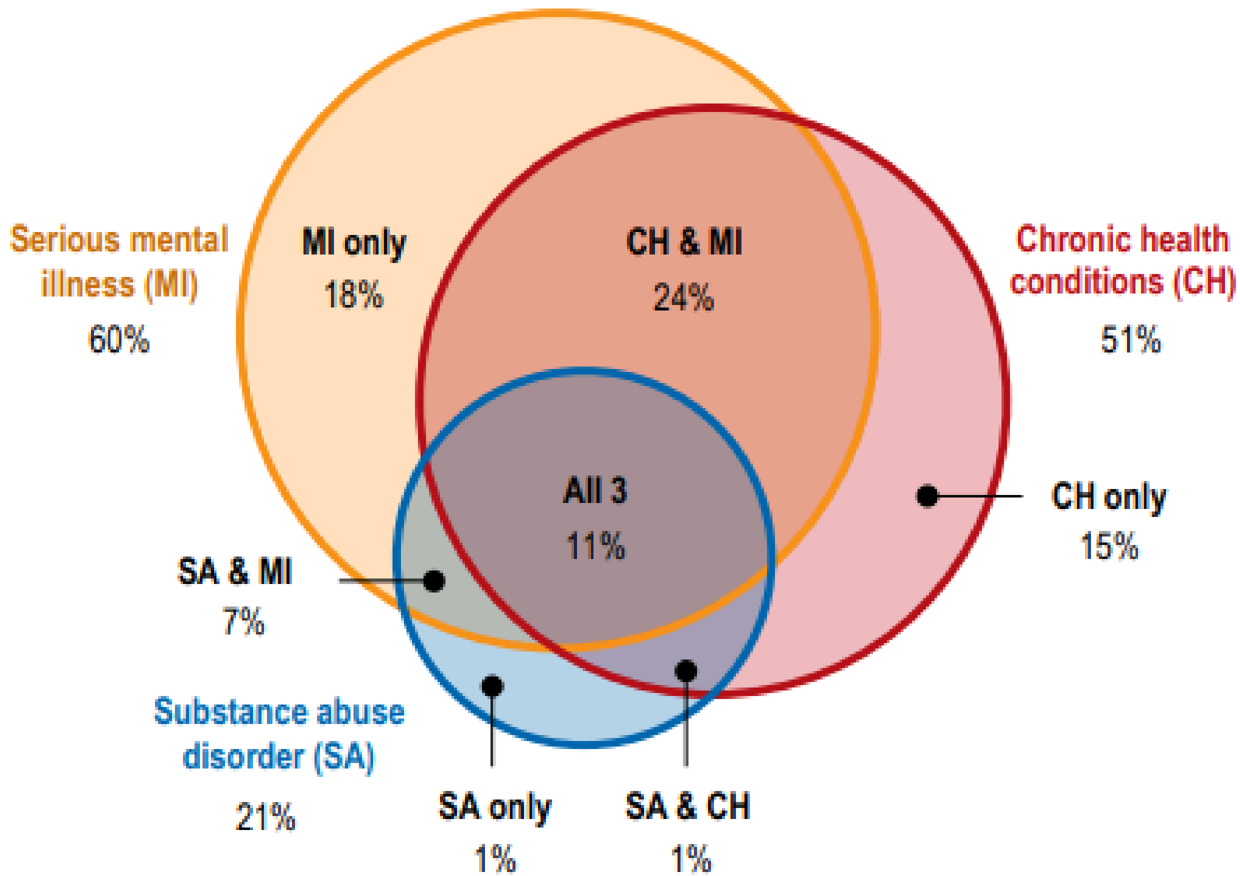


Source: Minnesota Housing analysis of American Community Survey (2017) data.

Most Adults Experiencing Homelessness Face Health Barriers

77% experience at least one condition:
- **Serious Mental Illness,**
- **Chronic Health Condition, and/or**
- **Substance Abuse Disorder**

11% experience all three.



Source: Wilder Research, Homelessness in Minnesota: Findings from the 2015 Minnesota Homelessness Study (November 2016), p. 33.

Characteristics of the Lowest Income Households – Household Income <= $15,000

	Lowest-Income Households	All Minnesota Households
Number	192,139	2,153,000
Median Income	$9,570	$65,154
% Severely Cost Burdened	60%	11%
% Overcrowded	2%	2%
% of Color or Indigenous	26%	16%
% Foreign Born	15%	11%
% of with a Disability	40%	22%
% Family with Children	19%	38%
% Seniors	33%	23%
% with at Least Some College	49%	75%

Source: Census Bureau, 2017American Community Survey

Characteristics of Renters Who Are Potentially Ready to Buy with Our Start Up Mortgage

	Potentially Ready to Buy	All Minnesota Households
Number	138,000	2,153,000
Median Income	$55,000	$65,154
% Of Color or Indigenous	34%	16%
% Foreign Born	21%	11%
% Family with Children	46%	38%
% with at Least Some College	79%	75%

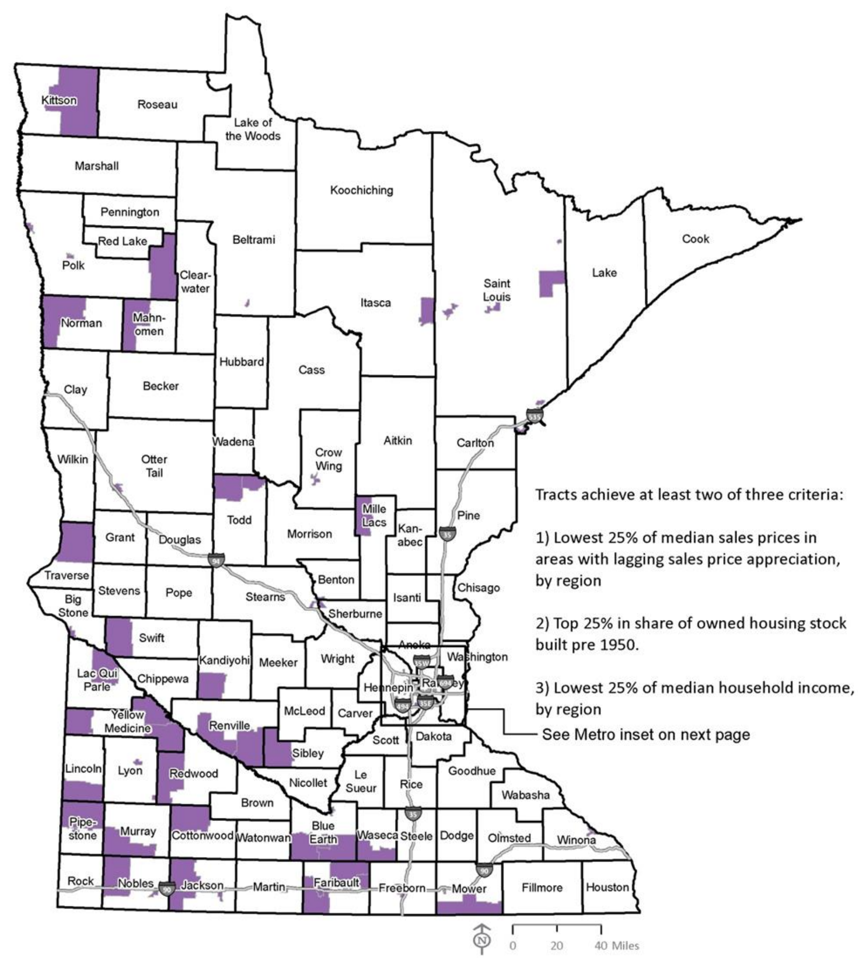
Potentially Ready to Buy

- Renter Household
- Income > $35,000 in Metro and $30,000 in Greater MN
- Income <= Start Up Limit
- Head of Household or Spouse/Partner Age Between 25 and 44

Source: Census Bureau, 2017American Community Survey

Community Recovery Areas
Greater Minnesota

Community Recovery Areas



Source: American Community Survey 2013-2017, Department of Revenue Certificate of Real Estate Value Data.

Community Recovery Areas

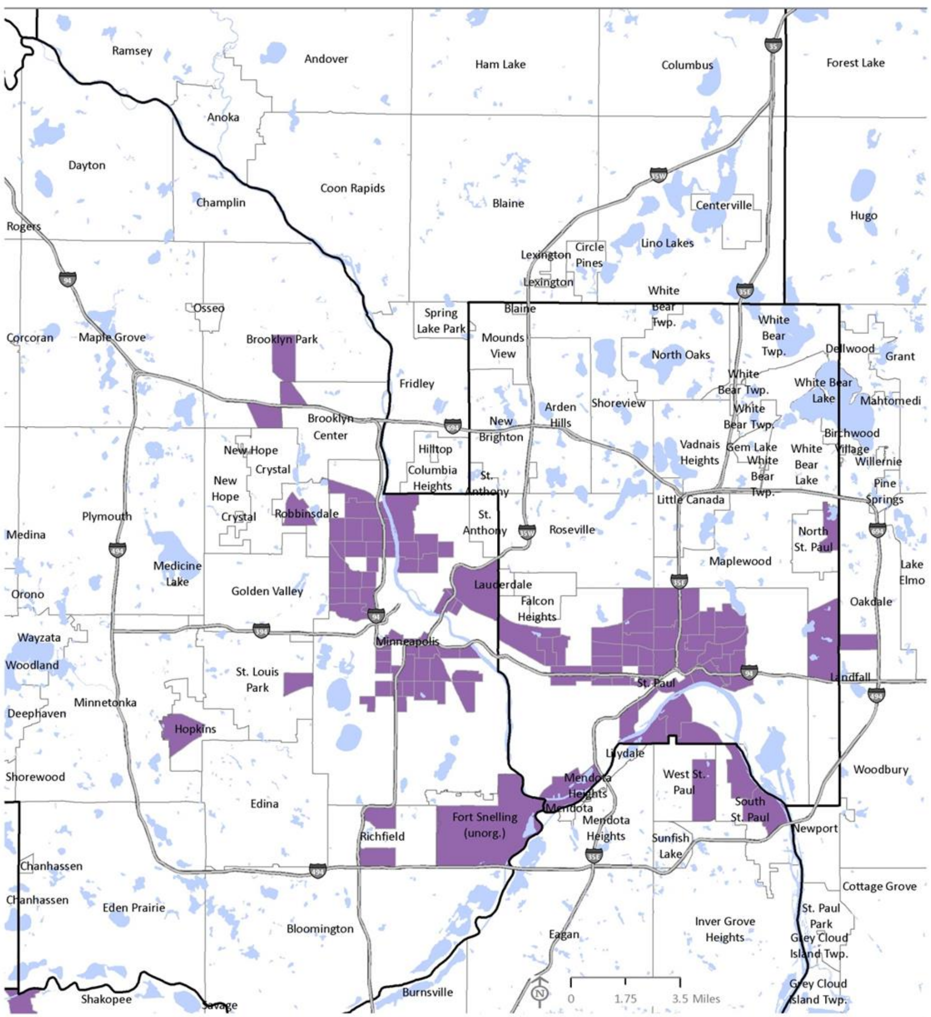
Census tracts that are in the:

- **Bottom 25% in median household income**
- **Top 25% in the share of housing stock build before 1950**
- **Bottom 25% in median home sale prices and with lagging price appreciation**

Meets 2 of 3 criteria

Community Recovery Areas
Twin Cities Metro

Community Recovery Areas



Source: American Community Survey 2013-2017, Department of Revenue Certificate of Real Estate Value Data.

Community Recovery Areas

Census tracts that are in the:

- **Bottom 25% in median household income**
- **Top 25% in the share of housing stock build before 1950**
- **Bottom 25% in median home sale prices and with lagging price appreciation**

Meets 2 of 3 criteria

For More Information

Contact:

John Patterson

Director of Planning, Research & Evaluation

Minnesota Housing

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MINNESOTA HOUSING

Board Agenda Item: 9.A
Date: 6/20/2019

Item: Post-Sale Report, Homeownership Finance Bonds (HFB), 2019 Series CD

Staff Contact(s):
Kevin Carpenter, 651.297.4009, kevin.carpenter@state.mn.us

Request Type:

☐ Approval	☒ No Action Needed
☐ Motion	☐ Discussion
☐ Resolution	☒ Information

Summary of Request:
The Agency sold $44,282,636 of Homeownership Finance Bonds on May 14, 2019 with a closing on May 28, 2019. In accordance with the Debt and Balance Sheet Management Policy the attached detailed post-sale report is provided by the Agency's financial advisor, CSG Advisors.

Fiscal Impact:
None.

Meeting Agency Priorities:
☐ Address Specific and Critical Local Housing Needs
☐ Finance Housing Responsive to Minnesota's Changing Demographics
☐ Preserve Housing with Federal Project-Based Rent Assistance
☐ Prevent and End Homelessness
☐ Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):
- Post-Sale Report

CSG | advisors

Via Email Delivery

MEMORANDUM

Date: **May 20, 2019**

To: **Minnesota Housing Finance Agency**

From: **Gene Slater, Tim Rittenhouse, David Jones, Eric Olson**

Re: **Post-Sale Report**
$44,282,636 Homeownership Finance Bonds (HFB)
2019 Series C (Non-AMT) and D (Taxable)

BOND CRITERIA

The 2019 Series C&D Homeownership Finance Bonds were issued to finance single-family new production. The key criteria for issuing the debt were:

1. ***Avoid major interest rate risk*** by continuing to hedge pipeline production until loans are either sold or permanently financed by bond issues.

2. ***Maintain high ratings on all Minnesota Housing single-family bonds***, with Series C&D rated Aaa.

3. ***Enhance Minnesota Housing's long-term financial sustainability*** through a mix of bond financing and sales of MBS, to provide more financially sustainable results for Minnesota Housing**.**

4. ***Provide at least a comparable expected level of return to selling MBS,*** at reasonably anticipated prepayment speeds.

5. ***Use bond volume cap as efficiently and sparingly as possible,*** so that the Agency can continue both its single-family and multi-family programs, even though volume cap has become an increasingly scarce resource.

KEY RESULTS FOR MINNESOTA HOUSING

Key Measurable Objectives. Minnesota Housing's objectives for each issue reflect its overall goal: How can the Agency maintain a long-term sustainable program that continues to finance production on the balance sheet so long as this is the best execution for the Agency.

Minnesota Housing therefore seeks to:

1. Obtain a present value return for Minnesota Housing at least similar to selling the same MBS in the secondary market, assuming a reasonable prepayment speed.
2. Obtain, if possible, approximately 1.125% spread on the overall issue (the maximum the IRS would allow if the issue were all tax-exempt).
3. Balance the amount of (a) new volume cap needed in financing such production and (b) the amount of zero participations required, so that the Agency can continue its program in future years.
4. Where possible, use opportunities to balance the impact of hedge gains and losses across transactions on Agency current year income.

Accomplishments. The results were successful in meeting Minnesota Housing's objectives:

- ***Leveraging Limited Volume Cap.*** The issue was structured so that Minnesota Housing could finance $44.283 million of new mortgages on balance sheet *with less than $.9 million of volume cap, e.g. 2% of the total issue.* To achieve this result, Minnesota Housing sold 69% of the total issue, $30.555 million, as taxable bonds in Series D, and recycled $12.834 million of private activity bond authority from past issues in Series C. New volume cap was thus leveraged 50 times.

- ***Spread and Zero Participations***. Being able to use so much taxable debt typically requires using zero participations in order to obtain full spread. On this issue, where bond rates continued to drop significantly over the prior months, the Agency did not need to use any zero participations to obtain full spread. The Agency thus retained its supply of $55 million of zeros to assist on future transactions.
  Even more impressive, while the Agency's spread on the tax-exempt series was slightly below the IRS maximum of 1.125%, the Agency's aggregate spread was 1.241% (similar to 1.218% on Series A&B).

- ***Attractive Bond Yield.*** The bond rate was 3.15% on tax-exempt Series C and 3.55% on taxable Series D.

- ***Economic Return to Minnesota Housing.*** The relative benefits to Minnesota Housing from issuing the bonds depend on how long the mortgages remain outstanding. The break-even prepayment speed[1] compared to selling the loans was 182%. This is far higher than the

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[1] The break-even speed measures how fast mortgages can prepay while still assuring Minnesota Housing at least the same present value as an MBS sale.

actual average prepayment speeds on similar loans in this indenture of about 120%. and indicates the benefits of putting this production on the balance sheet rather than selling it.[2] The result is that, at expected prepayment speeds, Minnesota Housing will earn significantly more from issuing 2019 C&D than from having directly sold the MBS. The net present value to Minnesota Housing (after net service release premiums) is projected to be approximately $1.5 million at 150% PSA prepayment speed.

- ***Choices.*** The Agency made choices that affected the use of volume cap, zero participations and spread. If the entire transaction had been tax-exempt, the issue would have required far more volume cap. The cost of debt would all have been at the tax-exempt bond rate of 3.15%, and the tax-exempt spread would have been well above IRS limits. It is, however, legally and practically difficult to create and store zero participations on pass-through issues, Minnesota Housing would not have able to keep this extra spread. Thus the agency would have used more volume cap but not been able to take advantage of the lower cost of funds. The final structure allowed Minnesota Housing to save volume cap *and* maximize the spread it could earn.

- ***Hedging.*** The loan production pipeline remained fully hedged until bonds were sold. When interest rates drop, as happened in the months leading up to this transaction, Minnesota Housing benefits by selling bonds at a lower rate, but incurs a loss on the hedges. The loss of $237,000 was included in bond yield so that Minnesota Housing can recover this amount over time as well.

- ***Sizing and Investor Demand.*** The issue was initially expected to be $10.88 million tax-exempt in Series C and $25.388 million taxable in Series D for a total of $36.268 million. There was significant over-demand, especially for the tax-exempt series, and the agency up-sized the entire issue.

  The tax-exempt bonds were oversubscribed over 6 times; the bond yield was reduced by 5 basis points and the amount of the series increased by approx. $2.8 million. The taxable bonds were slightly oversubscribed, by 1.1 times, and increased in amount by approximately $5 million.

  These increases in issue size allowed Minnesota Housing to finance additional loans, maximize its spread on the larger issue, and not use any zero participations. This was an excellent outcome in meeting the agency's objectives.

Implications. Key implications include:

[2] The updated average prepayment speed on all securities in the HFB indenture since inception is calculated at approximately 120%.

- ***Pass-Through Approach.*** Minnesota Housing has been the national leader is issuing single-family pass-through bonds to help finance production on-balance sheet. The net financial benefit from tax-exempt pass-through bonds compared to traditionally structured tax-exempt bonds varies from issue to issue. In recent transactions, there has been limited demand for such bonds especially for taxable pass-throughs, so the Agency has been sizing pass-through series based on the demand from investors.

  Pass-through bonds remain an effective way to leverage taxable debt. The interest cost on such taxable pass-through bonds (3.55% on Series D) is less than the marginal cost of including a large amount of taxable term bonds in a traditionally structured issue with both tax-exempt and taxable bonds.

- ***Balance Sheet Management.*** Minnesota Housing, in recent years, has been able to finance all tax-exempt eligible production as the best execution return to the Agency.

- ***Volume Cap.*** Minnesota Housing's single-family production together with demand for multi-family issuance in the State remains so great that private activity volume cap is a major constraint on tax-exempt issuance. To help address this the Agency is actively utilizing taxable bonds. On this issue, 69% of the debt was taxable. The Agency further actively recycles all available past private activity volume cap when old bonds are redeemed (whether on a monthly or semi-annual basis). This issue used approximately $12.834 million of recycled volume cap.

TIMING AND STRUCTURE

Timing. The issue was priced on Tuesday, May 14th, for closing on Tuesday, May 28th.[s]

Sizing. The sizing reflected the specific hedged MBS in Minnesota Housing's pipeline.

Major Design Decisions. Key decisions by Minnesota Housing were to:

- Continue to include a 10-year par call at Minnesota Housing's option, so that the Agency can potentially take advantage of interest rates in the future to either refund the bonds or sell the MBS and pay off the bonds.

- Include GNMA, FNMA and FHLMC MBS in the issue, with no percentage limit on any category. This provides Minnesota Housing the ability to adjust to the actual mix of loans in its pipeline.

- Finance a substantial portion of the issue as taxable bonds, based on the availability of investor demand at an attractive yield.

Rating. Bonds under the HFB indenture are rated Aaa by Moody's.

Hedging. Minnesota Housing has remained fully hedged on its pipeline until bonds were sold. This protects the Agency from risk if interest rates rise between the time the loans are committed and when they are packaged into MBS and either the corresponding bonds are sold or the MBS are sold via TBA. The purpose of this strategy is to help make the Agency largely indifferent to changes in rates.

BOND SALE RESULTS. Key highlights are:

1. ***Investor Interest for Series 2019 C&D.*** There was extensive institutional interest for the tax-exempt bonds from seven investors, and three investors for the taxable bonds.

2. ***Treasuries.*** After the 10-year Treasury rose to recent highs, over 3.2%, in October and early November, yields began to drop after the mid-term elections, as the stock market began to decline. The 10-year was 2.91% when HFB Series 2018 IJ was priced on Dec. 13th. With the Fed announcement that it would suspend rate hikes, the 10-year yield declined to 2.65% when HFB 2019 AB was priced on Feb. 7, 2019 and was 2.64% when RHFB 2019 ABCD was priced on March 7, 2019. In late April and early May, resurgence of the trade war with China and the reduction in the stock market led to a flight for quality, bringing the 10-year to 2.42% when the new issue was priced.

   The yield curve has flattened out and indeed inverted from 1 year to 7 years. The yield on 6-month Treasuries, 2.43% is almost identical with the 10-year yield, while the 5-year yield is only 2.2%.

3. ***Municipals.*** The municipal market index significantly outperformed Treasuries in recent months, reflecting 18 straight weeks of positive inflows into municipal bond funds, high redemptions and modest new supply. Since 2019 AB in February, the 10-year MMD has dropped by 41 basis points, compared to 23 basis points on the 10 -year Treasury. The MMD / Treasury ratio is at historic lows. The absolute level of municipal rates is at the lowest in several years.

Issue	Date	10-Year Treasury	10-Year MMD	MMD/Treasury Ratio
2017 HFB G/H	9/12/17	2.17%	1.86%	85.7%
2017 HFB I/J	11/9/17	2.33%	1.93%	82.8%
2017 RHFB DEF	*12/4/17*	*2.37%*	*2.05%*	*86.5%*
2018 HFB A/B	2/13/18	2.83%	2.42%	85.5%
2018 HFB C/D	4/12/18	2.83%	2.40%	84.8%
2018 RHFB ABC	*6/7/18*	*2.93%*	*2.47%*	*84.0%*
2018 HFB EF	8/16/18	2.87%	2.43%	84.7%
2018 HFB GH	10/17/18	3.19%	2.72%	85.3%

Issue	Date	10-Year Treasury	10-Year MMD	MMD/Treasury Ratio
2018 RHFB EFGH	*11/14/18*	*3.12%*	*2.70%*	*86.5%*
2018 HFB IJ	12/13/18	2.91%	2.40%	82.5%
2019 HFB AB	**2/7/19**	**2.65%**	**2.14%**	**80.8%**
2019 RHFB ABCD	3/7/19	2.64%	2.08%	78.8%
2019 HFB CD	**5/14/19**	**2.42%**	**1.73%**	**71.5%**
Change from 2019 HFB AB		**- 23 bp**	**-41 bp**	**-9.3%**

4. ***Comparison to GNMA Yields.*** Investors compare yields on pass-through issues to current-coupon GNMAs, although pass-through bonds provide much less liquidity in the global markets. GNMA yields dropped by 23 basis points since Series A&B, as a result of the global flight to quality (the same as the drop in Treasury yields). Minnesota's tax-exempt bond yield on Series C, after repricing, was 30 basis points lower than Series A, while the taxable bond yield on Series D was 25 basis points lower, so spreads tightened slightly.

	2017 I/J Nov. '17	2018 A/B Feb. '18	2018 C/D Apr. '18	2018 E/F Aug. '18	2018 G/H Oct. '18	2018 I/J Dec. '18	2019 A/B Feb. '19	2019 C/D Jan. '19
Minn. Housing bond yield								
Tax-Exempt	2.80%	3.30%	3.30%	3.45%	3.75%	3.60%	**3.45%**	**3.15%**
Taxable	3.10%	3.65%	3.65%	3.80%	4.10%	4.00%	**3.80%**	**3.55%**
Yield on GNMA I, 3.0 current coupon, at dealer prepay speed	2.80%	3.32%	3.27%	3.35%	3.72%	3.42%	**3.15%**	**2.92%**
Minn. Housing v. GNMA								
Tax-exempt	0 bp	-2 bp	+3 bp	+10 bp	+3 bp	+18 bp	+30 bp	+23 bp
Taxable	+30 bp	+33 bp	+38 bp	+45 bp	+38 bp	+58 bp	+65 bp	+63 bp

5. ***Comparable Tax-Exempt Pass-Through Transactions:*** Aside from Minnesota, the other new money single-family tax-exempt pass-through issues in the past year have been for Colorado. The Colorado issues have been sold at a premium in order to raise downpayment assistance. In Feb. 2018, RBC priced Colorado on the same day as Minnesota A. In October 2018, Colorado's premium issue priced the day after Minnesota G at wider spreads to the indices. There was no comparable issue for Series 2019 C.

	Colorado Tax-Ex. 2018 AA	Minn. Tax-Ex. 2018 A	Minn. Tax-Ex. 2018 C	Minn. Tax-Ex. 2018 E	Minn. Tax-Ex. 2018 G	Colorado Tax-Ex. 2018 BB-1	Minn. Tax-Ex. 2018 I	Minn. Tax-Ex. 2019A	Minn. Tax-Ex. 2019 C
Size	$73.1 m.	$38.2 m.	$30.3 m.	$47.8 m.	$31.8 m.	$46.7 m.	$23.0 m.	$35.6 m.	$13.7 m.
Rating	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Pricing Date	2/13/18	2/13/18	4/12/18	8/16/18	10/17/18	10/18/18	12/13/18	2/7/19	5/14/19
Price	102.978 Premium	Par	Par	Par	Par	102.935 Premium	Par	Par	Par
Avg. Life at 150% PSA: in years	8.3	8.7	8.7	8.9	8.8	8.4	8.9	8.9	8.9
Yield	3.30% 125% PSA	3.30%	3.30%	3.45%	3.75%	3.80% 125% PSA	3.60%	3.45%	3.15%
Spread to 10yr US Treas.	+47 bp	+47 bp	+47 bp	+58 bp	+56 bp	+64 bp	+69 bp	+80 bp	+73 bp
Spread to 10yr MMD	+88 bp	+88 bp	+90 bp	+102bp	+103bp	+107 bp	+120 bp	+131 bp	+142 bp
Spread to 3% GNMA (at Dealer Prepay Speed)	-0 bp	-2 bp	-2 bp	+10 bp	+3 bp	+9 bp	+18 bp	+30 bp	+23 bp
Spread Taxable to Tax-Exempt Series	+30 bp	n.a.	+35 bp	+35 bp	+35 bp	+25 bp	+40 bp	+35 bp	+40 bp
Underwriter	RBC	RBC	RBC	RBC	RBC	RBC	RBC	RBC	RBC

6. ***Comparable Taxable Pass-Through Transactions:*** Aside from Minnesota, there have been no recent other new money single-family taxable pass-through issues.

	Minn. Taxable 2018 B	**Minn. Taxable 2018 D**	**Utah Taxable 2018 A**	**Minn. Taxable 2018 F**	**Minn. Taxable 2018 G**	**Colorado Taxable 2018 BB-2**	**Minn. Taxable 2018 I**	**Minn. Taxable 2019 B**	**Minn. Taxable 2019 D**
Size	$38.2 m.	$20.2 m.	$17.9 m.	$52.6 m.	$31.8 m.	$42.7 m.	37.5 m.	$30.4 m.	$30.6 m.
Type	New money	New money	New money	New Money	New Money	New Money	New Money	New Money	New Money
Rating	Aaa	Aaa	Aa3	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Pricing Date	2/13/18	4/12/18	6/20/18	8/16/18	10/17/18	10/18/18	12/13/18	2/7/19	5/14/19
Price	Par	Par	Par	Par	Par	103.214 premium	Par	Par	Par
Ave. Life at 150% PSA	8.7 years	8.7 years	6.5 years	8.9 years	8.8 years	8.3 years	8.9 years	8.9 years	8.9 years
Yield	3.65%	3.65%	3.45%	3.80%	4.10%	4.05% 125% PSA	4.00%	3.80%	3.55%
Spread to 10yr US Treas.	+82 bp	+82 bp	+52 bp	+93 bp	+91 bp	+89 bp	+109 bp	+115 bp	+ 113 bp
Spread to 3% GNMA (at Dealer Prepay Speed)	+33 bp	+38 bp	+3 bp	+45 bp	+38 bp	+34 bp	+58 bp	+65 bp	+63 bp
Underwriter	RBC	RBC	Zions	RBC	RBC	RBC	RBC	RBC	RBC

UNDERWRITING

Underwriters. RBC was the senior manager; regular co-managers were J.P. Morgan, Piper Jaffray and Wells Fargo. Monthly pass-through bonds are sold only to institutional investors, so there was no selling group.

Underwriter Fees. Management fees were appropriate, consistent with industry standards, in the same range as fees for other housing issues of similar size and structure.

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ISSUE DETAILS

Economic Calendar. Economic statistics generally came in similar to expected in the days leading up to the sale, although all the inflation indices came in slightly lower than expected. The key news driving the market, however, were Presidential announcements of a resumption of the trade war with China. The stock market dropped, and investors turned to bonds, driving Treasuries, munis and mbs yields significantly lower.

Municipal Calendar**.** The visible supply for the week was $8.2 billion, about average for the year to date. The largest competitive issue was Virginia College Building Authority at $512 million. The largest negotiated issue was Allegheny County Hospital's $738 million led by RBC and a New York State Dormitory Authority issue of $498 million. The other single-family issues were traditionally structured issues for Maine, $34 million, and Nevada, $50 million, while Ohio had priced a $20 million multi-family bond issue.

MBS Yields. MBS yields are very relevant because investors can choose between purchasing MBS directly or buying Minnesota Housing's bonds backed by MBS. As described above, bond purchasers look as much to the spread between Minnesota Housing's bonds and MBS as they do to the spread between Minnesota Housing bonds and Treasuries or MMD. GNMA yields dropped by 23 basis points, while Minnesota's tax-exempt yield dropped by 30 basis points and its taxable yield dropped by 25 basis points.

Minnesota Housing Finance Agency
HFB 2019 Series C&D
Post-Sale Report

Type	Delivery	Coupon	Measure	Sept. 12, 2017	Nov. 9, 2017	Feb. 13, 2018	Apr. 12, 2018	Aug. 16, 2018	Oct. 17, 2018	Dec. 13, 2018	Feb. 7, 2019	May 14, 2019
GNMA	Current	3.0	Price	101.92	101.17	97.98	98.33	97.92	95.70	97.48	99.08	100.45
			Yield*	2.67%	2.80%	3.32%	3.27%	3.35%	3.72%	3.42%	3.15%	2.92%
			Dealer Forecast % PSA	184%	175%	153%	153%	149%	146%	148%	147%	173%
FNMA	Current	3.5	Price	103.55	102.89	100.02	98.92	99.39	97.58	98.83	100.30	101.27
			Yield*	2.77%	2.96%	3.49%	3.50%	3.58%	3.82%	3.66%	3.45%	3.24%
			Dealer Forecast % PSA	244%	211%	146%	129%	126%	117%	122%	133%	224%
10yr US Treas.	n/a	n/a	Yield	2.17%	2.33%	2.83%	2.83%	2.87%	3.19%	2.91%	2.65%	2.42%
10yr MMD	n/a	n/a	Yield	1.86%	1.93%	2.42%	2.40%	2.43%	2.72%	2.40%	2.14%	1.73%
GNMA to 10-Year Treasury	n/a	n/a	Yield*	123.0%	120.2%	117.3%	115.5%	116.7%	116.6%	117.5%	118.9%	120.1%
GNMA to 10-Year MMD	n/a	n/a	Yield*	143.5%	145.1%	137.2%	136.3%	137.9%	136.8%	142.5%	147.2%	168.8%
Minnesota Housing	Tax-exempt			2.65%	2.80%	3.30%	3.30%	3.45%	3.75%	3.60%	3.45%	3.15%
	Taxable			3.00%	3.10%	3.65%	3.65%	3.80%	4.10%	4.00%	3.80%	3.55%

* Yield at dealer forecast prepayment speed

TAX-EXEMPT SINGLE FAMILY HOUSING PASS-THROUGH BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	5/14/19	2/7/19	12/13/18	10/18/18	10/17/18	8/16/18
Amount	$13,727,617	$35,629,502	$22,971,005	$46,739,335	$31,783,596	$47,757,180
Issuer	Minnesota HFA	Minnesota HFA	Minnesota HFA	Colorado HFA	Minnesota HFA	Minnesota HFA
Series	2019 Series C	2019 Series A	2018 Series I	Series 2018BB-1	2018 Series G	2018 Series E
Program	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated
Rating(s)	Aaa / - / -	Aaa / - / -	Aaa / - / -	Aaa / - / -	Aaa / - / -	Aaa / - / -
Tax Status	Tax Exempt, Non-AMT	Tax Exempt, Non-AMT	Tax Exempt, Non-AMT	Tax Exempt, Non-AMT	Tax Exempt, Non-AMT	Tax Exempt, Non-AMT
Use of Funds	New Money	New Money	New Money	New Money	New Money	New Money
Maturity	2049	2049	2049	2048	2048	2048
Price	100.000	100.000	100.000	102.935	100.000	100.000
Coupon/Yield	3.150	3.450	3.600	4.20C/3.80Y at 125% PSA	3.750	3.450

Indicator	Indicative Yield 5/14/19	Spread	Indicative Yield 2/7/19	Spread	Indicative Yield 12/13/18	Spread	Indicative Yield 10/18/18	Spread	Indicative Yield 10/17/18	Spread	Indicative Yield 8/16/18	Spread
5-Year US Treasury	2.20	+95	2.46	+99	2.75	+85	3.02	+78	3.04	+71	2.75	+70
7-Year US Treasury	2.30	+85	2.54	+91	2.83	+77	3.10	+70	3.13	+62	2.82	+63
10-Year US Treasury	2.42	+73	2.65	+80	2.91	+69	3.16	+64	3.19	+56	2.87	+58
3% GNMA I @ 100% PSA	2.94	+21	3.13	+32	3.35	+25	3.60	+20	3.61	+14	3.29	+16
3% GNMA I @ Dlr Forecast	2.92 (173%)	+23	3.15 (147%)	+30	3.42 (148%)	+18	3.71 (146%)	+9	3.72 (146%)	+3	3.35 (149%)	+10
9-Year MMD	1.66	+149	2.04	+141	2.33	+127	2.65	+115	2.64	+111	2.37	+108
10-Year MMD	1.73	+142	2.14	+131	2.40	+120	2.73	+107	2.72	+103	2.43	+102
MBS PREPAY HISTORY (%PSA)												
Past 3 months	-		-		-		-		-		-	
Past 6 months	-		-		-		-		-		-	
Past 12 months	-		-		-		-		-		-	
Since issuance	-		-		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)												
At 100% PSA	11.0		11.0		10.9		10.6		10.9		11.0	
At 150% PSA	8.9		8.9		8.9		8.4		8.8		8.9	
At 200% PSA	7.5		7.5		7.4		7.0		7.3		7.4	
At 300% PSA	5.6		5.6		5.5		5.1		5.5		5.5	
WEIGHTED AVERAGE MORTGAGE RATE	4.78%		5.24%		5.05%		5.12%		5.07%		5.12%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	4.33%		4.56%		4.55%		4.50%		4.50%		4.39%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	359		358		357		358		357		358	
Notes												
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

TAX-EXEMPT SINGLE FAMILY HOUSING PASS-THROUGH BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	4/12/18		2/13/18		11/9/17		9/12/17		5/10/17		3/13/17	
Amount	$30,326,457		$38,247,496		$69,238,429		$84,997,946		$39,283,268		$23,903,940	
Issuer	Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA	
Series	2018 Series C		2018 Series A		2017 Series I		2017 Series G		2017 Series E		2017 Series C	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT	
Use of Funds	New Money		New Money		New Money		New Money		New Money		New Money	
Maturity	2048		2048		2047		2047		2047		2047	
Price	100.000		100.000		100.000		100.000		100.000		100.000	
Coupon/Yield	3.300		3.300		2.800		2.650		2.850		3.080	
Indicator	Indicative Yield 4/12/18	Spread	Indicative Yield 2/13/18	Spread	Indicative Yield 11/9/17	Spread	Indicative Yield 9/8/17	Spread	Indicative Yield 5/10/17	Spread	Indicative Yield 3/13/17	Spread
5-Year US Treasury	2.67	+63	2.54	+76	2.01	+79	1.75	+90	1.94	+91	2.14	+94
7-Year US Treasury	2.78	+52	2.74	+56	2.20	+60	1.99	+66	2.22	+63	2.43	+65
10-Year US Treasury	2.83	+47	2.83	+47	2.33	+47	2.17	+48	2.41	+44	2.62	+46
3% GNMA I @ 100% PSA	3.22	+8	3.27	+3	2.85	-5	2.76	-11	2.89	-4	3.10	-2
3% GNMA I @ Dlr Forecast	3.27 (153%)	+3	3.32 (153%)	-2	2.80 (175%)	-	2.67 (184%)	-2	2.86 (160%)	-1	3.12 (159%)	-4
9-Year MMD	2.35	+95	2.35	+95	1.83	+97	1.74	+91	2.06	+79	2.39	+69
10-Year MMD	2.40	+90	2.42	+88	1.93	+87	1.86	+79	2.17	+68	2.49	+59
MBS PREPAY HISTORY (%PSA)												
Past 3 months	-		-		-		-		-		-	
Past 6 months	-		-		-		-		-		-	
Past 12 months	-		-		-		-		-		-	
Since issuance	-		-		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)												
At 100% PSA	10.7		10.7		10.7		10.7		10.7		10.5	
At 150% PSA	8.7		8.7		8.6		8.7		8.7		8.5	
At 200% PSA	7.2		7.3		7.2		7.2		7.3		7.1	
At 300% PSA	5.4		5.4		5.4		5.4		5.5		5.3	
WEIGHTED AVERAGE MORTGAGE RATE	4.33%		4.41%		4.14%		4.27%		4.23%		3.79%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.67%		3.62%		3.56%		3.61%		3.61%		3.30%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	357		357		357		357		357		356	
Notes												
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

TAX-EXEMPT SINGLE FAMILY HOUSING PASS-THROUGH BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	2/9/17		10/20/16		9/12/16		7/14/16		3/10/16		1/12/16	
Amount	$24,966,329		$20,445,117		$35,494,509		$35,389,598		$50,970,802		$97,273,565	
Issuer	Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA	
Series	2017 Series A		2016 Series G		2016 Series E		2016 Series C		2016 Series B		2016 Series A	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT		Tax Exempt, Non-AMT	
Use of Funds	New Money		New Money		New Money		New Money		New Money		New Money	
Maturity	2047		2046		2046		2046		2046		2046	
Price	100.000		100.000		100.000		100.000		100.000		100.000	
Coupon/Yield	2.930		2.300		2.350		2.330		2.700		2.950	
Indicator	Indicative Yield 2/9/17	Spread	Indicative Yield 10/20/16	Spread	Indicative Yield 9/12/16	Spread	Indicative Yield 7/14/16	Spread	Indicative Yield 3/10/16	Spread	Indicative Yield 1/12/16	Spread
5-Year US Treasury	1.88	+105	1.26	+104	1.21	+114	1.10	+123	1.45	+125	1.55	+140
7-Year US Treasury	2.20	+73	1.55	+75	1.50	+85	1.36	+97	1.75	+95	1.88	+107
10-Year US Treasury	2.40	+53	1.76	+54	1.68	+67	1.53	+80	1.93	+77	2.12	+83
3% GNMA I @ 100% PSA	2.86	+7	2.46	-16	2.47	-12	2.45	-12	2.67	+3	2.75	+20
3% GNMA I @ Dlr Forecast	2.82 (160%)	+11	2.16 (224%)	+14	2.16 (230%)	+19	2.08 (252%)	+25	2.55 (189%)	+15	2.67 (175%)	+28
9-Year MMD	2.18	+75	1.61	+69	1.43	+92	1.32	+101	1.76	+94	1.67	+128
10-Year MMD	2.28	+65	1.72	+58	1.52	+83	1.41	+92	1.88	+82	1.78	+117
MBS PREPAY HISTORY (%PSA)												
Past 3 months	-		-		-		-		-		-	
Past 6 months	-		-		-		-		-		-	
Past 12 months	-		-		-		-		-		-	
Since issuance	-		-		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)												
At 100% PSA	10.4		10.5		10.6		10.6		10.5		10.6	
At 150% PSA	8.5		8.5		8.6		8.6		8.5		8.6	
At 200% PSA	7.1		7.1		7.2		7.2		7.1		7.2	
At 300% PSA	5.2		5.3		5.4		5.4		5.3		5.3	
WEIGHTED AVERAGE MORTGAGE RATE	3.84%		3.67%		3.81%		3.85%		4.01%		3.96%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.20%		3.10%		3.22%		3.23%		3.53%		3.49%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	355		357		358		357		354		357	
Notes												
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

TAXABLE HOUSING PASS-THROUGH BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	5/14/19	2/7/19	1/17/19	12/13/18	10/18/18	10/17/18
Amount	$30,555,019	$30,351,057	$26,134,990	$37,500,014	$42,739,335	$31,783,596
Issuer	Minnesota HFA	Minnesota HFA	New Mexico MFA	Minnesota HFA	Colorado HFA	Minnesota HFA
Series	2019 Series D	2019 Series B	2019 Series B	2018 Series J	Series 2018BB-2	2018 Series H
Program	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated	Single Family / Negotiated
Rating(s)	Aaa / - / -	Aaa / - / -	Aaa / - / -	Aaa / - / -	Aaa / - / -	Aaa / - / -
Tax Status	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable
Use of Funds	New Money	New Money	Refunding	New Money	New Money	New Money
Maturity	2049	2049	2040	2049	2048	2048
Price	100.000	100.000	100.000	100.000	103.214	100.000
Coupon/Yield	3.550	3.800	3.450	4.000	4.50C/4.05Y at 125% PSA	4.100

Indicator	Indicative Yield 5/14/19	Spread	Indicative Yield 2/7/19	Spread	Indicative Yield 1/17/19	Spread	Indicative Yield 12/13/18	Spread	Indicative Yield 10/18/18	Spread	Indicative Yield 10/17/18	Spread
5-Year US Treasury	2.20	+135	2.46	+134	2.58	+87	2.75	+125	3.02	+103	3.04	+106
7-Year US Treasury	2.30	+125	2.54	+126	2.66	+79	2.83	+117	3.10	+95	3.13	+97
10-Year US Treasury	2.42	+113	2.65	+115	2.75	+70	2.91	+109	3.16	+89	3.19	+91
3% GNMA I @ 100% PSA	2.94	+61	3.13	+67	3.20	+25	3.35	+65	3.60	+45	3.61	+49
3% GNMA I @ Dlr Forecast	2.92 (173%)	+63	3.15 (147%)	+65	3.24 (152%)	+21	3.42 (148%)	+58	3.71 (146%)	+34	3.72 (146%)	+38
9-Year MMD	1.66	+189	2.04	+176	2.11	+134	2.33	+167	2.65	+140	2.64	+146
10-Year MMD	1.73	+182	2.14	+166	2.20	+125	2.40	+160	2.73	+132	2.72	+138
MBS PREPAY HISTORY (%PSA)												
Past 3 months	-		-		92%		-		-		-	
Past 6 months	-		-		194%		-		-		-	
Past 12 months	-		-		200%		-		-		-	
Since issuance	-		-		212%		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)												
At 100% PSA	11.0		11.0		7.1		10.9		10.4		10.9	
At 150% PSA	8.9		8.9		-		8.9		8.3		8.8	
At 200% PSA	7.5		7.5		5.1		7.4		6.8		7.4	
At 300% PSA	5.6		5.6		3.8		5.5		5.0		5.5	
WEIGHTED AVERAGE MORTGAGE RATE	4.78%		5.24%		5.81%		5.05%		5.12%		5.07%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	4.33%		4.56%		5.32%		4.55%		4.50%		4.50%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	359		358		211		357		358		357	
Notes												
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

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TAXABLE HOUSING PASS-THROUGH BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	9/18/18		9/11/18		8/16/18		6/28/18		6/20/18		4/12/18	
Amount	$11,190,000		$43,331,546		$52,573,028		$20,630,000		$17,850,000		$20,217,638	
Issuer	Louisiana HC		Ohio HFA		Minnesota HFA		Delaware SHA		Utah HC		Minnesota HFA	
Series	Series 2018A-2		2018 Series B		2018 Series F		2018 Series A		2018 Series A		2018 Series D	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aa1 / - / -		Aa3 / - / -		Aaa / - / -	
Tax Status	Taxable		Taxable		Taxable		Taxable		Taxable		Taxable	
Use of Funds	Refunding		Refunding		New Money		Refunding		New Money		New Money	
Maturity	2040		2040		2048		2048		2048		2048	
Price	100.000		100.000		100.000		100.000		100.000		100.000	
Coupon/Yield	3.700		3.700		3.800		3.480		3.450		3.650	
Indicator	Indicative Yield 9/18/18	Spread	Indicative Yield 9/11/18	Spread	Indicative Yield 8/16/18	Spread	Indicative Yield 6/28/18	Spread	Indicative Yield 6/20/18	Spread	Indicative Yield 4/12/18	Spread
5-Year US Treasury	2.94	+76	2.87	+83	2.75	+105	2.73	+75	2.80	+65	2.67	+98
7-Year US Treasury	3.01	+69	2.94	+76	2.82	+98	2.81	+67	2.89	+56	2.78	+87
10-Year US Treasury	3.05	+65	2.98	+72	2.87	+93	2.84	+64	2.93	+52	2.83	+82
3% GNMA I @ 100% PSA	3.46	+24	3.38	+32	3.29	+51	3.30	+18	3.36	+9	3.22	+43
3% GNMA I @ Dlr Forecast	3.55 (146%)	+15	3.46 (150%)	+24	3.35 (149%)	+45	3.35 (149%)	+13	3.42 (147%)	+3	3.27 (153%)	+38
9-Year MMD	2.51	+119	2.46	+124	2.37	+143	2.41	+107	2.41	+104	2.35	+130
10-Year MMD	2.58	+112	2.52	+118	2.43	+137	2.46	+102	2.47	+98	2.40	+125
MBS PREPAY HISTORY (%PSA)												
Past 3 months	245%		128%		-		-		-		-	
Past 6 months	281%		121%		-		-		-		-	
Past 12 months	242%		166%		-		-		-		-	
Since issuance	264%		259%		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)												
At 100% PSA	8.0		7.8		11.0		8.0		8.7		10.7	
At 150% PSA	6.6		-		8.9		6.6		6.5		8.7	
At 200% PSA	5.6		5.6		7.4		5.5		5.2		7.3	
At 300% PSA	4.0		4.2		5.5		4.0		3.9		5.4	
WEIGHTED AVERAGE MORTGAGE RATE	6.56%		5.98%		5.12%		5.96%		-		4.33%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	6.06%		5.48%		4.39%		5.46%		-		3.67%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	243		235		358		253		-		357	
Notes												
Sr Manager	Raymond James		J.P. Morgan		RBC Capital Markets		George K. Baum		Zions Bank		RBC Capital Markets	

TAXABLE HOUSING PASS-THROUGH BOND PRICING COMPARABLES, PAST 12 MONTHS PLUS EARLIER MHFA

Pricing Date	2/13/18		11/9/17		9/12/17		5/10/17		3/13/17		2/9/17	
Amount	$38,247,494		$46,158,952		$64,997,812		$19,348,474		$23,903,941		$24,966,327	
Issuer	Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA		Minnesota HFA	
Series	2018 Series B		2017 Series J		2017 Series H		2017 Series F		2017 Series D		2017 Series B	
Program	Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated		Single Family / Negotiated	
Rating(s)	Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -		Aaa / - / -	
Tax Status	Taxable		Taxable		Taxable		Taxable		Taxable		Taxable	
Use of Funds	New Money		New Money		New Money		New Money		New Money		New Money	
Maturity	2048		2047		2047		2047		2047		2047	
Price	100.000		100.000		100.000		100.000		100.000		100.000	
Coupon/Yield	3.650		3.100		3.000		3.200		3.430		3.250	
Indicator	Indicative Yield 2/13/18	Spread	Indicative Yield 11/9/17	Spread	Indicative Yield 9/8/17	Spread	Indicative Yield 5/10/17	Spread	Indicative Yield 3/13/17	Spread	Indicative Yield 2/9/17	Spread
5-Year US Treasury	2.54	+111	2.01	+109	1.75	+125	1.94	+126	2.14	+129	1.88	+137
7-Year US Treasury	2.74	+91	2.20	+90	1.99	+101	2.22	+98	2.43	+100	2.20	+105
10-Year US Treasury	2.83	+82	2.33	+77	2.17	+83	2.41	+79	2.62	+81	2.40	+85
3% GNMA I @ 100% PSA	3.27	+38	2.85	+25	2.76	+24	2.89	+31	3.10	+33	2.86	+39
3% GNMA I @ Dlr Forecast	3.32 (153%)	+33	2.80 (175%)	+30	2.67 (184%)	+33	2.86 (160%)	+34	3.12 (159%)	+31	2.82 (160%)	+43
9-Year MMD	2.35	+130	1.83	+127	1.74	+126	2.06	+114	2.39	+104	2.18	+107
10-Year MMD	2.42	+123	1.93	+117	1.86	+114	2.17	+103	2.49	+94	2.28	+97
MBS PREPAY HISTORY (%PSA)												
Past 3 months	-		-		-		-		-		-	
Past 6 months	-		-		-		-		-		-	
Past 12 months	-		-		-		-		-		-	
Since issuance	-		-		-		-		-		-	
PROJECTED WEIGHTED AVERAGE LIFE (YEARS)												
At 100% PSA	10.8		10.7		10.7		10.7		10.5		10.5	
At 150% PSA	8.7		8.7		8.7		8.7		8.6		8.5	
At 200% PSA	7.3		7.2		7.2		7.3		7.2		7.1	
At 300% PSA	5.5		5.4		5.4		5.5		5.3		5.3	
WEIGHTED AVERAGE MORTGAGE RATE	4.41%		4.14%		4.27%		4.23%		3.79%		3.84%	
MBS WEIGHTED AVERAGE PASSTHROUGH RATE	3.62%		3.56%		3.61%		3.61%		3.30%		3.20%	
WEIGHTED AVERAGE REMAINING TERM (MONTHS)	357		357		357		357		356		355	
Notes												
Sr Manager	RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets		RBC Capital Markets	

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